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Shenzhen International Holdings Limited

深圳國際控股有限公司

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 00152)**

**(the “Company”)**

## **OVERSEAS REGULATORY ANNOUNCEMENT**

The document attached hereto is the 2017 Annual Results Preliminary Announcement released by Shenzhen Expressway Company Limited, a subsidiary of the Company.

Hong Kong, 23 March 2018

*As at the date of this announcement, the board of directors of the Company consists of Messrs. Gao Lei, Li Hai Tao, Zhong Shan Qun, Liu Jun and Hu Wei as executive directors, Messrs. Xie Chu Dao and Liu Xiao Dong as non-executive directors and Messrs. Leung Ming Yuen, Simon, Ding Xun, Nip Yun Wing and Dr. Yim Fung, JP as independent non-executive directors.*

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深圳高速公路股份有限公司

**SHENZHEN EXPRESSWAY COMPANY LIMITED**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 00548)**

## **2017 Annual Results Preliminary Announcement**

### **I. Important Notice**

- 1.1** 2017 Annual Results Preliminary Announcement of the Company is extracted from the full Annual Report 2017 of the Company. For detailed information, investor shall read the full Annual Report to be published on the website of SSE at <http://www.sse.com.cn> and HKEx at <http://www.hkexnews.com.hk>.

All the information to accompany preliminary announcement of results for the financial year required under Appendix 16 to the Listing Rules was included in the 2017 Annual Results Preliminary Announcement published on the website of HKEx.

The 2017 annual financial statements of the Company were prepared in accordance with CASBE, and also were complied with the disclosure requirements under the Hong Kong Companies Ordinance and the Listing Rules.

Unless otherwise stated, the amounts stated in this announcement are in RMB.

### **1.2 Basic Information of the Company**

Type of shares	A Share	H Share
Abbreviation	Shenzhen Expressway	Shenzhen Expressway
Stock code	600548	00548
Listing exchanges	SSE	HKEx
Contacts and details	Secretary of the Board	Securities Officer
Name	LUO Kun	GONG Xin, XIAO Wei
Telephone	(86) 755-8285 3331	(86) 755-8285 3338
Fax	(86) 755-8285 3400	
E-mail	secretary@sz-expressway.com	

## II. Proposed Profit Distribution

The Board recommended the payment of a final dividend of RMB0.30(proposal) (tax included) per share in cash to all shareholders (2016: RMB0.22 per share), based on the total share capital of 2,180,770,326 as at the end of 2017 and totaling RMB 654,231,097.80. The aforesaid proposal shall be subject to approval by shareholders at the 2017 Annual General Meeting of the Company. The date of the annual general meeting, the record date for dividend payment, dividend payment procedures and payment date, and the book closure period for H Shares will be notified separately. It is expected that the dividend will be distributed on or before 31 July 2018.

## III. Principal Financial Data and Information of the Shareholders

### 3.1 Principal Financial Data

During the Reporting Period, the Group recorded a revenue of RMB4,837 million, representing an increase of 6.72% YOY. Net profit attributable to owners of the Company amounted to RMB1,426 million with earnings per share of RMB 0.654, representing an increase of 21.98% YOY.

Unit: RMB

	As at 31 Dec 2017	As at 31 Dec 2016	Change as compared to the end of last year	As at 31 Dec 2015
Total assets	<b>37,473,826,542.60</b>	32,384,844,447.16	15.71%	31,670,655,088.41
Owners' equity attributable to owners of the Company	<b>13,618,079,670.58</b>	12,674,475,959.27	7.44%	12,368,892,973.17
	2017	2016	Change as compared to last year	2015
Revenue	<b>4,836,620,833.89</b>	4,532,209,156.54	6.72%	3,420,578,335.19
Net profit attributable to owners of the Company	<b>1,426,402,801.01</b>	1,169,353,230.77	21.98%	1,552,656,397.24
Net profit attributable to owners of the Company - excluding non-recurring items	<b>1,468,896,951.98</b>	1,004,716,957.76	46.20%	527,396,785.06
Net cash flows from operating activities	<b>2,660,705,790.47</b>	2,126,610,026.45	25.11%	1,771,505,130.32
Return on equity - weighted average (%)	<b>10.88</b>	9.35	Increase 1.53pct.pt	12.94
Earnings per share - basic (RMB/share)	<b>0.654</b>	0.536	21.98%	0.712
Earnings per share - diluted (RMB/share)	<b>0.654</b>	0.536	21.98%	0.712

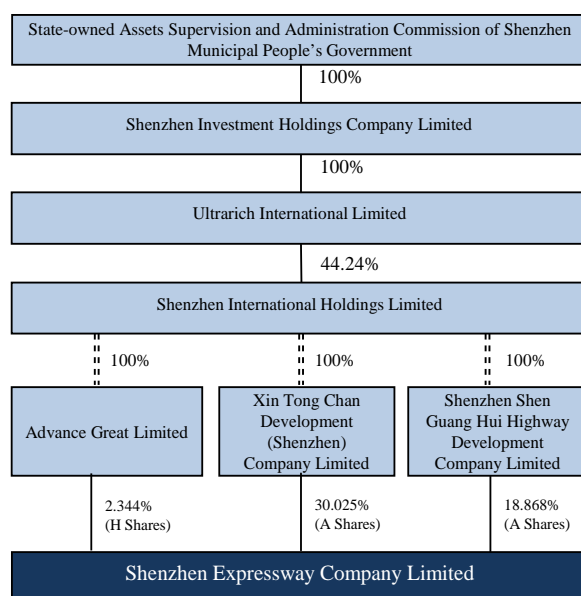
### 3.2 Information of the Total Number of Shareholders and the Top Ten Shareholders

As at the end of the Reporting Period, based on the shareholders' registers provided by the share registrars and the transfer offices of the Company in the PRC and Hong Kong, the information of the total number of shareholders and the top ten shareholders of the Company were as follows:

Unit: share

Total number of shareholders as at the end of 2017		The Company had 19,179 shareholders in total, including 18,941 holders of A Shares and 238 holders of H Shares.			
Total number of shareholders as at the end of the last month prior to the Reporting Date		The Company had 19,578 shareholders in total, including 19,343 holders of A Shares and 235 holders of H Shares.			
Top ten shareholders as at the end of 2017					
Name of shareholder	Nature of shareholders	Percentage	Number of shares held	Number of restricted circulating shares held	Number of shares pledged or frozen
HKSCC NOMINEES LIMITED <sup>note</sup>	Overseas legal person	33.24%	724,811,099	—	Unknown
Xin Tong Chan Development (Shenzhen) Company Limited	Domestic non-state-owned legal person	30.03%	654,780,000	—	None
Shenzhen Shen Guang Hui Highway Development Company Limited	Domestic non-state-owned legal person	18.87%	411,459,887	—	None
China Merchants Expressway Network & Technology Holdings Company Limited	State-owned legal person	4.00%	87,211,323	—	None
Guangdong Roads and Bridges Construction Development Company Limited	State-owned legal person	2.84%	61,948,790	—	None
AU SIU KWOK	Overseas natural person	0.50%	11,000,000	—	Unknown
LIU SHEN PEI	Domestic natural person	0.29%	6,340,900	—	Unknown
ZHANG PING YING	Domestic natural person	0.28 %	6,023,400	—	Unknown
CHEN DAN ZHEN	Domestic natural person	0.27 %	5,945,400	—	Unknown
ZHU CAI FENG	Domestic natural person	0.27 %	5,862,483	—	Unknown
<b>Connected relationship or concerted action relationship among the abovementioned shareholders</b>	Xin Tong Chan Development (Shenzhen) Company Limited and Shenzhen Shen Guang Hui Highway Development Company Limited are connected persons under the same control of Shenzhen International Holdings Limited. There is no connected relationship among the state-owned shareholders in the above table. The Company did not notice any connected relationship among the other abovementioned shareholders or any connected relationship among the abovementioned state-owned shareholders and other shareholders.				
Note: The H Shares held by HKSCC NOMINEES LIMITED were held on behalf of various clients.					

### 3.3 The Ownership and the Relation of Control Between the Company and the De-facto Controller

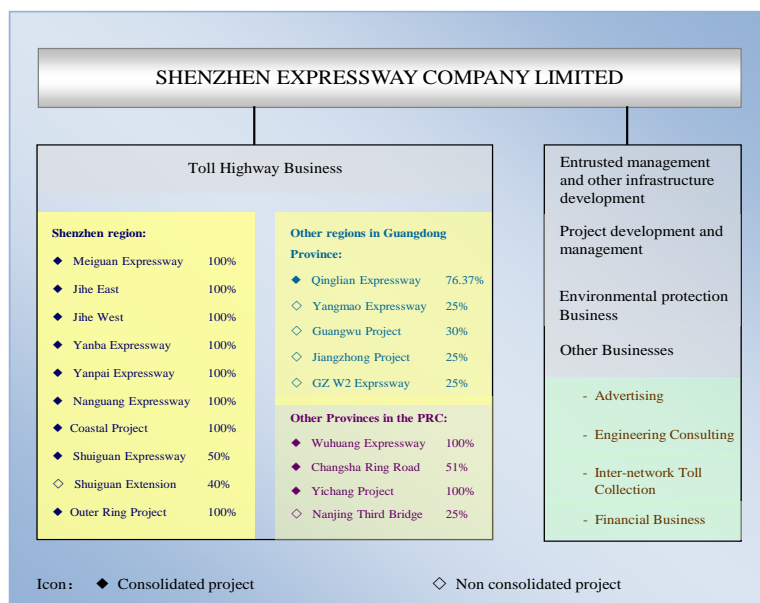


## IV. Report of the Directors

In order to achieve the Company's strategic goal of transformation and upgrading, in addition to upgrading and consolidating the core business of toll highway, the Group adheres to a market-oriented, specialised and industrialised approach to adjust and integrate its internal organisational structure and functions. It has gradually established various business platforms for investment, environmental protection, operation, construction and advertising, which include the Investment Company, a company principally engages in the business of expanding infrastructure construction market as well as joint comprehensive development of land; the Operation Development Company, a company principally engages in the provision of highway operation and maintenance management services; the Environmental Company, a company principally engages in the expansion of businesses relating to the environmental protection industry; the Construction Development Company, a company principally engages in the provision of project construction management services; and the Advertising Company, a company principally engages in the advertising resources rental and development business. Through the aforesaid platform companies, the Group will give full play to its own competitive advantages in operation of infrastructure as well as infrastructure management and integrated management, so as to expand its business sectors to construction and operation services of urban and transport infrastructure and joint comprehensive development of land. The Group will also actively extend its business scope to the upstream and downstream of the industrial chain and develop transportation planning, design consulting, operation maintenance, intelligent transportation system, advertising service, finance and other service-oriented businesses. In addition, the Group prudently seeks opportunities for cooperation with leading and branded enterprises in the environmental protection industry to enter the relevant environmental protection business sector from a high starting point, thereby gradually developing the Group's professional competitive strengths in certain environmental protection segments and striving for greater rooms for the development of the Group's operation.

### 4.1 Business Review

At this stage, the Group's revenues and profits are mainly derived from toll highway operations and investments. In addition, the Group provides outstanding construction management and highway operation management services for the government and other enterprises. Building on the relevant management experiences and resources and relying on its core business, the Group has launched businesses such as project development and management as well as environmental protection, advertising, engineering consulting, inter-network toll collection and financial businesses, etc. The principal business of the Group is set out as follows:



In 2017, the Group earnestly managed the toll highway projects, steadily developed the entrusted management business and prudently attempted to enter into new types of business. During the Reporting Period, the Group recorded revenue of approximately RMB4,837million, representing a YOY increase of 6.72%, of which toll revenue of approximately RMB4,285million, entrusted management services revenue of approximately RMB103million, real estate development revenue of approximately RMB317million, advertising and other business revenue of approximately RMB131million accounted for 88.59%, 2.13%, 6.56% and 2.72% of the total revenue of the Group, respectively.

## **(I) Toll Highway Business**

### **1. Analysis of Operating Environment**

#### **(1) Operating environment**

During 2017, the global economy recovered steadily, while the Chinese economy remained a stable growth under the implementation of various initiatives, including the continuous optimisation of industrial structure, acceleration of reforms of traditional industries and promotion of new economic development in China. The GDP recorded a YOY growth of 6.9% throughout the year, with a higher growth rate as compared to the last year. During the year, the regional GDPs of Guangdong Province and Shenzhen were RMB 8.99 trillion and RMB 2.24 trillion, representing a YOY growth of 7.5% and 8.8% respectively, which were higher than the national average. The regional economy remained active, which was conducive to the general growth of the regional transportation and logistics demand via highway. During 2017, benefited from the recovery of global trade and foreign export trade, the container throughput at Shenzhen ports recorded a decade high at approximately 25 million TEUs, representing a YOY increase of 5.3%, of which the container throughput of Yantian Port amounted to 14.03 million TEUs, representing a YOY increase of 7.73%, thus producing a positive impact on Jihe Expressway, Yanba Expressway and Yanpai Expressway of the Group. Under the combined effect of various factors in the macro and regional economic environments, the Group's overall operational performance in toll highway projects maintained stable during the Reporting Period. Source of data: Government statistics information website

#### **(2) Policy environment**

The policies for the toll highway industry had no significant changes in 2017.

Based on the original toll-by-weight policy for trucks, the Provisions on the Administration of Use of Roads by Overloaded Transportation Vehicles (Order of the Ministry of Transport 2016 No. 62) (the "Administrative Provisions") have been implemented nationwide starting from late September 2016. The new Administrative Provisions set more stringent determination criteria for over-limit and overload with more serious penalties. For illegal behaviours relating to oversize and overweight, financial penalties will be imposed depending on the nature, scenario and damage of such illegal behaviours. Where a criminal offence is constituted, the offenders will be pursued for criminal liabilities according to the laws. Meanwhile, related departments will establish credit record for over-limit and overload behaviours and a joint working mechanism for law enforcement, pursuant to which joint punishments will be imposed on good carriers who committed serious offences in relation to over-limit or overload. The implementation of the new Administrative Provisions has a negative impact on traffic volume of trucks and toll revenue of the Group. However, it has a positive effect on the comprehensive governing of over-limit and overloaded vehicles, maintaining the safety of roads and bridges, decreasing the number of traffic accidents, reducing highway maintenance fee and lengthening the useful life of highways.

In recent years, in order to promote structural reform of supply side and facilitate the reduction

of costs and improvement of efficiency in the logistics industry, some provinces have implemented preferential toll policies successively to provide different range of discounted rates for legally loaded trucks by using electronic payment method. Such policies have varied effects on toll revenues of the Group's toll highway projects in different regions. From 00:00 on 1 July 2017, Guangdong Province has implemented a preferential policy (the "Preferential Policy") by offering a 15% discount on truck toll for 43 expressways in the province, provided that the prevailing basic toll rate and charging rules of centralised toll collection for freight vehicles remain unchanged. Since the highway projects under the Group have not currently been included in the implementation scope of the Preferential Policy, there has been no effect on toll revenue of the Group. The Group will closely monitor the development trend of the policies, and maintain a positive and effective communication with the government with a view to safeguarding the interests of the Company and shareholders. Moreover, the Standardisation Scheme implemented by Guangdong Province and the nationwide policies of Toll Free Scheme on Holidays and Green Passage Toll Free Policy in recent years still posed negative impact on toll revenues of the projects. However, the impact on YOY changes of projects' revenues has been eliminated generally.

## 2. Business Performance and Analysis

During 2017, the traffic volume and toll revenue of most of the highway projects in which the Group operated and invested continued to grow. Basic operational statistics of each project during the Reporting Period are as follows:

Toll highway	Average daily mixed traffic volume (number of vehicles in thousand) <sup>(1)</sup>			Average daily toll revenue (RMB'000)		
	2017	2016	YOY	2017	2016	YOY
<b>Guangdong Province – Shenzhen Region:</b>						
Meiguan Expressway <sup>(2)</sup>	92	83	10.7%	336	311	8.0%
Jihe East	271	250	8.5%	1,962	1,767	11.0%
Jihe West	215	202	6.4%	1,729	1,642	5.3%
Shuiguan Expressway	230	227	1.1%	1,763	1,693	4.1%
Shuiguan Extension	105	98	7.6%	314	300	4.9%
<b>Guangdong Province – Other Regions:</b>						
Qinglian Expressway	41	37	12.1%	2,017	1,835	9.9%
Yangmao Expressway	50	46	9.4%	1,819	1,800	1.1%
Guangwu Project	35	40	-11.5%	832	1,025	-18.8%
Jiangzhong Project	142	120	18.2%	1,249	1,133	10.3%
GZ W2 Expressway	71	59	21.6%	1,343	1,074	25.1%
<b>Other Provinces in the PRC:</b>						
Wuhuang Expressway	51	44	15.6%	1,005	939	7.0%
Yichang Project <sup>(4)</sup>	48	N/A	N/A	1,157	N/A	N/A
Changsha Ring Road <sup>(5)</sup>	32	26	22.6%	373	312	19.7%
Nanjing Third Bridge	33	27	19.5%	1,270	1,098	15.7%

Note:

- (1) Traffic volume which is toll free during holidays is not included in the figures of average daily mixed traffic volume.
- (2) Toll-free policy for Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km has been implemented since 24:00 on 31 March 2014 and the toll collection for the section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km was remained.
- (3) According to the agreement signed between the Group and Shenzhen Transport Commission, Yanba Expressway, Yanpai Expressway and Nanguang Expressway should become toll free from 0:00 on 7 February 2016. The Company

calculated and recognised the revenue according to the agreed method under the agreement.

- (4) As the Group completed the acquisition of 100% equity interest in Yichang Company in June 2017, Yichang Company has been consolidated into the consolidated financial statements of the Group since 15 June 2017.
- (5) Shenchang Company has been included into the consolidated financial statements of the Group since 1 April 2017. The main business of Shenchang Company is operation and management of Changsha Ring Road.

The effect of factors such as economic environment and policy changes on highway projects varied, and the operational performances varied among different highway projects due to differences in the functional positioning, operation date of respective projects and economic development along the highways. The operational performances of toll highways were also affected, both positively or negatively, by factors such as changes in surrounding competitive or synergistic road networks, repairs to connected or parallel roads and implementation of urban traffic organisation plans as well as other transportation methods. In addition, the construction or maintenance works of the projects may also have impact on their then operational performances.

#### **(1) Guangdong Province - Shenzhen region:**

During the Reporting Period, the total toll revenue of toll highway projects of the Group in Shenzhen region recorded a YOY growth. With the continuous improvement of the transportation network in Shenzhen, coupled with the cancellation of toll collection of certain expressways and local roads, the traffic distribution and composition of the road network in Shenzhen have also changed. After the adjusted toll collection scheme on the Meiguan Expressway was implemented in April 2014, toll-free section of Meiguan Expressway not only stimulated the growth of traffic volume of the toll section itself, but also promoted the operational performance of the connecting Jihe Expressway. Toll-free policy has been implemented for Yanpai Expressway, Yanba Expressway and Nanguang Expressway from 00:00 on 7 February 2016. The Company calculates and recognises revenues from these highway projects according to the method specified in the agreement. The growth of traffic volume of these toll-free projects also drove the traffic growth of the connecting Jihe Expressway and Shuiguan Expressway. In addition, the Provisions on the Administration of Use of Roads by Overloaded Transportation Vehicles has been implemented nationwide since late September 2016. The implementation of such policy has caused negative impact on the freight volume and toll revenue of Jihe Expressway and Shuiguan Expressway.

#### **(2) Guangdong Province - Other regions:**

The economic growth in the areas along the expressways and the toll-by-weight policy for trucks can help boosting the operational performance of Yangmao Expressway. However, the implementation of stringent policy governing over-limit and overloaded vehicles poses great negative impact on traffic volume. During the Reporting Period, the average daily traffic volume and toll revenue of Yangmao Expressway recorded a YOY increase, while the growth rate slowed down. During the Reporting Period, various targeted marketing and promotional proposals were implemented on GZ W2 Expressway based on the changes of the neighbouring road networks and traffic control policies; while at the same time, benefited from the positive implications of factors such as the economic growth in the areas along the expressways, change in road network and implementation of traffic administration measures, both the average daily traffic volume and toll revenue of GZ W2 Expressway witnessed a satisfactory YOY growth.

Jiangluo Expressway (Jiangmen – Luoding) Phase II commenced operation on 28 December 2016. As it is basically parallel to Guangwu Project, a great diversion impact has been brought to Guangwu Project, however, it has driven the growth of traffic volume of Jiangzhong Project. Benefited from the positive impact of improved road network and the maintenance of neighbouring roads and bridges, the average daily traffic volume and toll revenue of Jiangzhong Project recorded a YOY growth during the Reporting Period.



Guangle Expressway (Guangzhou – Lechang, in Guangdong), being the dual line of G4 National Expressway (Guangdong Section) (formerly known as Jingzhu Expressway), and Erguang Expressway (Lianhuai Section) (Lianzhou – Huaiji) were completed and opened in September 2014 and at the end of December 2014 respectively. As the said expressways are close to Qinglian Expressway and the route connecting Erguang Expressway to Qinglian Expressway is still under construction, some diversion impact has been brought to Qinglian Expressway. The expansion of Guangqing Expressway has been completed and it commenced operation at the end of September 2016, resulting in improvement of the road network which has helped improving the traffic efficiency and service capability of the entire channel. Meanwhile, the traffic volume in the region experienced organic growth in general, while Qinglian Company actively carried out promotion of routes and implemented multi-level marketing strategy, which began to take effect and hence gradually reduced the impact of diversion. The average daily toll revenue of Qinglian Expressway delivered a stable YOY growth during the Reporting Period.

### **(3) Other provinces**

During the Reporting Period, the diversion impact arising from further commencement of operation of neighbouring road network on Wuhuang Expressway still existed, and further implementation of preferential toll policies of trucks in Hubei Province caused negative impact on its toll revenue to a certain extent. However, benefited from the rapid growth of vehicle ownership in the surrounding cities and significant growth of traffic volume of trucks, the operational performance of Wuhuang Expressway was good during the Reporting Period. Benefiting from the positive implications of various factors such as the economic development of neighbouring regions and in the region, closure of the Nanjing Yangtze River Bridge due to construction works, implementation of traffic control measures of neighbouring roads and implementation of preferential traffic policies in provinces, both the average daily traffic volume and toll revenue of Nanjing Third Bridge recorded a satisfactory YOY growth. Benefiting from the positive impact of various factors including the improvement of road network, implementation of toll-by-weight, implementation of traffic control measures of neighbouring roads and the business growth of enterprises along the highway, the toll revenue of Changsha Ring Road maintained a relatively rapid YOY growth. In addition, Yichang Company has been included in the Group's consolidated financial statements since 15 June 2017. Benefiting from the positive impact of various factors including the economic growth of the Northwest regions of Hunan and construction works of neighbouring roads, the operational performance of Yichang Expressway under Yichang Company was satisfactory during the Reporting Period.

## **3. Business Management and Upgrade**

### **◆ Explore the opportunities for establishing intelligent transportation and enhance service efficiency**

With rapid development of the Internet of things and informatised technologies, intelligent transportation has become the development trend of general management of modern traffic. Through collection, treatment, analysis, distribution and application of traffic related information, traffic administrators may perform real-time monitoring and control on traffic conditions, traffic accidents, meteorological conditions, traffic environment and others, thereby performing traffic management and control in a timely manner. Meanwhile, real-time traffic related information may be provided to procure reasonable distribution of traffic volume, reduce traffic jam and accidents, enhance transportation efficiency and guarantee traffic safety. During the Reporting Period, the Group has commenced strategic cooperation with professional research institutions to integrate technological resources and actively promote the research and implementation of intelligent transportation, with a view to providing traffic volume guidance, traffic jam governing, traffic information and other functions in the region through the research and application of technologies, including vehicle

identification technology, highly-precise map, artificial intelligence and integration of traffic related big data. In addition, by conducting research on application scenario of toll highways (e.g. “senseless payment (無感支付)” without stopping and unmanned intelligent security guard (toll station), it is expected to achieve comprehensive promotion of road networks, enhance service efficiency and reduce operating costs. During the Reporting Period, the Group continued to optimise standardised operation management modules as well as reformed and upgraded the software and hardware of its tolling system to improve operational service quality and work efficiency through delicacy management. Moreover, the Group has also made full use of the database of the ETC system to establish a standardised terminal operation module and an audit management mechanism, regularly fighting against toll evasion, supervising the green passageway and inspecting vehicle overloading so as to minimise the loss of toll revenue.

#### ◆ **Deepen the marketing of road network and actively attract traffic**

Relying on the database for traffic distribution of the road networks and vehicle models across Guangdong Province, and by way of site inspections, route comparison and data analysis, the Group continuously tracked the changes of road networks and travelling directions of the vehicles in the region, and formulated and implemented targeted marketing and promotional measures to promote the advantages of road networks and projects through various ways, thereby attracting more drivers to use the roads of the Group and facilitating the growth of the toll revenue. During the Reporting Period, Qinglian Company has focused on the Spring Festival marketing, holiday marketing and “the marketing of the integration of traffic and tourism”, boosted traffic volume by promoting the advantages of road network and implementing tourism co-marketing. Meanwhile, it has continuously paid close attention to and analysed the change of traffic and vehicle models in each section of Guangle Expressway and Erguang Expressway so as to adopt effective marketing strategies to attract traffic. By adopting mobile applications and traditional media, Magerk Company carried out multifaceted promotion on the advantages of Wuhuang Expressway in terms of its routes, service and price, with a view to attracting traffic. Leveraging on the neighbouring well-connected road networks such as Jianguo Expressway, Jiangzhong Expressway commenced promotion on road networks to boost traffic volume. In addition, capitalising on the opportunities arising from implementation of traffic control measures of neighbouring road networks, the traffic of GZ W2 Expressway was also boosted by various channels including multifaceted promotion and guidance by signage.

#### ◆ **Strengthen the maintenance and management of highway property and improve road conditions**

The Company conducted regular quality checks on highways and bridges, and frequent inspections on highway administration. It has also built up a joint-action mechanism between road assets and traffic operational information. The aforementioned arrangements enable the Company to take timely measures to remove and rectify the unsafe factors in highways or take maintenance measures to better ensure the quality, safety and free traffic of highways. During the Reporting Period, the Group finalised the special bridge deficiency improvement projects and the optimised design proposal for the reinforcement project of single pier bridge, which commenced construction. In addition, according to the actual situation and needs, the Group has conducted various small special projects such as slope reinforcement and toll station expansion so as to ensure the safety and clear passage for highways. The Company has established a regular assessment of highway maintenance planning and a dynamic adjustment mechanism to continuously improve and optimise the technical solution for maintenance so as to ensure the excellent technical conditions of highways and extend the service life of the highways, thus effectively reducing the overall highway maintenance cost.

#### 4. Business Development

The construction of the main project of Outer Ring Project invested by the Group has fully commenced. As at the end of the Reporting Period, the Group completed approximately 95% of land resumption, approximately 80% of housing demolition and relocation in aggregate, while it also completed approximately 35% of the image of civil works. Outer Ring Project is a toll highway project invested by the Group according to the PPP model. The Group will invest RMB6.5 billion in return of 25 years' of income from Section A of Outer Ring and bear operating costs, related taxes and risks. SDCDGC, which is established and wholly-owned by the Shenzhen Government, would bear or raise money for the excess portion. The investment model effectively reaches the balance between the public welfare features of infrastructure and the reasonable return on business investment. It provides the public with high-quality services in the most cost-efficient way so as to achieve a win-win-win result for society, the government and the Company. For details of Outer Ring Project, please refer to the relevant contents on the Company's announcement dated 18 March 2016 and the circular dated 25 April 2016.

During the Reporting Period, the Group entered into an equity transfer agreement with Pingan Innovation to acquire its 100% equity interest in Yichang Company (which is primarily engaged in the operation and management of Yichang Expressway) at a consideration of RMB1.27 billion. Yichang Expressway (Yiyang to Changde) is a two-way expressway with four lanes, of which the main lane has a length of 73.1 km. It is not only a section of the connection line from Zhangjiajie to Changsha (G5513) of the G55 Erguang Expressway, the sixth vertical line of the national highway network, but also a main component of the skeleton of the Hunan Expressway Plan of "five vertical and seven horizontal". Yichang Expressway is situated in a superior location with good investment value. Yichang Expressway has maintained good business records with steady growth of traffic volume and toll revenue since its commencement of operation. The obtaining of equity interest in Yichang Expressway at a reasonable consideration helps the Company to expand its asset scale and profit base of toll highways, increase stable cash flow, and further strengthen its core advantages in the investment, management and operation of the highways. Yichang Company has been included into the consolidated financial statements of the Group since 15 June 2017. For details, please refer to the Company's announcement dated 20 January 2017 and the section of "Report of the Directors" in the 2017 Annual Report of the Company.

On 11 December 2017, the Company entered into an acquisition agreement with SIHCL and Coastal Company. Pursuant to the acquisition agreement, SIHCL transferred its 100% equity interests in Coastal Company to the Company at a transfer price of RMB1,472 million. The transaction has been approved by the general meeting of Shenzhen International and the Company on 5 February 2018 and 8 February 2018, respectively. Coastal Expressway is an important core passage going through the north-south of the Pearl River Delta region. It is also an important corridor connecting Guangzhou, Shenzhen and Hong Kong within the Guangdong-Hong Kong-Macau Greater Bay Area. It enjoys an excellent geographical location and an economically viable neighborhood region. With the steady development of the regional economy along the Coastal Project and the constant improvement of its surrounding road networks, the operating performance of Coastal Project will enter a period of rapid growth. In the long run, the acquisition of 100% equity interests in Coastal Company by the Company at a reasonable price is in line with the development strategy and in the interests of the Company as a whole as it will help to enhance the allocation efficiency of the Company's highway assets, stabilise the business scale of its core business of toll highway, thereby laying a foundation for the profit growth of the core business of the Company in the future. As at the date of this report, the transaction has been completed. Coastal Company has been consolidated into the financial statements of the Group since February 2018. For details, please refer to the announcements of the Company dated 8 December 2017, 11 December 2017 and 8 February 2018, the circular of the Company dated 23 January 2018 and the section of "Report of the Directors" in the 2017 Annual Report of the Company.

In order to build the platform for expanding the project construction management business, and improving the competitiveness and marketability of the construction management services of the Group, the Company established an indirect wholly-owned subsidiary, Construction Company, in August 2017. As a specialized, industrialized and corporatized operating platform of the Group's construction management services, this subsidiary will explore new markets and develop its infrastructure construction management and technical service related business by adopting a market-oriented approach.

## **(II) Entrusted Management and the Development of Other Infrastructure**

Relying on the core business of toll highway and building on relevant management experience and resources, the Group has launched or engaged in the business of entrusted management. The entrusted construction management business and the entrusted operation management business, also known as entrusted construction business and entrusted management business, are currently the major businesses of the Group apart from toll highway business. Leveraging its expertise and experience accumulated in the relevant areas throughout these years, the Group has realised reasonable revenues and returns from the receipt of management fee and/or bonus according to the calculation methods as agreed with the entrusting parties through provision of services relating to construction management and toll highway operation management. In addition, the Group also attempts to use its own financial resources and financing capability to participate in the construction and development of local infrastructure so as to obtain reasonable revenues and returns.

### **1. Entrusted Construction Business**

During the Reporting Period, the Company has had entrusted construction projects including Outer Ring Project, Cargo Organisation Adjustment Project and Coastal Phase II in Shenzhen region, as well as Wangguan Comprehensive Resettlement Project Phase II, Entrusted Construction Project on Hengwu Road and Hengliu Road and Entrusted Construction Project of Guizhou Logistics Harbour of Shenzhen International in Longli, Guizhou, etc. At this stage, the major work of the Group in entrusted construction business is to strengthen the safety and quality management of the projects under construction, coordinate and supervise the collection of revenue from each of the entrusted construction projects, push forward the completion and acceptance of the completed projects and proactively promote the development and cooperation in new markets and new projects.

During the Reporting Period, all the work of the entrusted construction projects has been carried out in good order. In particular, for the relevant information on the progress of Outer Ring Project, please refer to the relevant content in above description of "Business Development" in this chapter. The construction of toll stations of Cargo Organization Adjustment Project has commenced successively and it is expected that the construction for the first batch of toll stations will be completed in August 2018. Coastal Phase II has accumulatively completed approximately 83% of land acquisition and approximately 55% of demolition area, and the tender for the construction work of some of the contracted sections such as road understructure, bridges and culvert, mechanical and electrical works, roads, etc. has been completed. Currently, the construction of bridges of three contracted sections has commenced. As at the end of the Reporting Period, the acceptance, completion settlement and audit of the construction of Wangguan Comprehensive Resettlement Project Phase II in Longli, Guizhou have been completed. The main work of Entrusted Construction Project on Hengwu Road and Hengliu Road in Longli, Guizhou was completed and accepted. The construction of warehouses for the entrusted construction project of Guizhou Logistics Harbour of Shenzhen International has been basically completed and the construction work for landscaping and greening is now underway, the main work of which is expected to be completed in the first half of 2018. Furthermore, the completion settlement and government audit of Meiguan Toll Station, Nanping Phase II, Dezheng Road Project, Coastal Phase I, auxiliary project of Longda Municipal Section and Guanlan Renmin Road-Meiguan Expressway Joints Project were underway.

## **2. Entrusted Management Business**

On 30 December 2015, the Company and Baotong Company renewed the entrusted management agreement, pursuant to which, the Company continued to be entrusted to carry out the operation management of Longda Project under the model of equity management. During the Reporting Period, each of the management tasks was smoothly carried out. The entrusted term was extended to 31 December 2018.

On 30 December 2016, the Company and Coastal Company renewed the entrusted management agreement, with an entrustment operation and management period of three years from 1 January 2017 to 31 December 2019 and an entrusted management fee of RMB18 million each year. On 11 December 2017, the Company, SIHCL and Coastal Company entered into an acquisition agreement, pursuant to which, Coastal Company shall pay the entrusted management fee of Coastal Phase I to the Company for the period up to the acquisition base date (31 October 2017). The entrusted management agreement shall be suspended upon completion of the transfer of shareholding in Coastal Company.

For details of the profits as well as incomes and expenses of various entrusted management businesses during the Reporting Period, please refer to the content in “Financial Analysis” below and the relevant content in Note V\38 to the Financial Statements in this announcement.

## **3. Development and Management of Other Infrastructure**

Houmen Comprehensive Resettlement Building Project is still at the preliminary stage of applying for construction currently as the land of the project involves issues such as compensation for farmland occupied. The construction is scheduled to commence in the second half of 2018.

On 30 December 2016, the Board approved the provision of construction and management services for the land levelling and related auxiliary projects regarding Shenzhen-Shanwei Special Cooperation Zone by Investment Company. As at the end of the Reporting Period, land levelling for two plots of land, namely Jiajie Aluminum and Jinxinnong, was completed. Investment Company is now taking proactive measures to push ahead with the preliminary work such as application for construction and design of this project. The whole project is scheduled to be fully completed by the end of 2019.

Duohua Bridge Project is about 2.2 km long in total, the major construction work of the project is the construction of Duohua Bridge. It is a municipal project invested by the government of Longli County, Guizhou through Guilong Industry, its platform company. The investment budget of the project was approximately RMB950 million (subject to the final audit result of the audit department) and the construction period of the project is expected to be approximately 36 months. During the Reporting Period, the Board approved Guishen Company to undertake the construction of Duohua Bridge Project by BT model. The project might be another municipal construction project undertaken by Guishen Company after Guilong Project. By exporting the management expertise of Guishen Company in infrastructure construction, the project will be able to bring reasonable revenues and returns to the Group, establish brand influence in the local market and provide rooms for expansion in the market in the future. As at the date of this report, the agreement of this project is still under negotiation.

For details of the profits as well as incomes and expenses of various entrusted management businesses during the Reporting Period, please refer to the relevant content in “Financial Analysis” below.

### **(III) Development of New Industries**

With the relevant management experience and resources and in accordance with the deployment of new development strategies, the Group prudently explores new business types such as comprehensive development of land and urban renewal, while paying close attention to and seizing the opportunities for the cooperation between the advantageous areas and the existing business-related areas as business development and expansion beyond its core main business as well as a beneficial supplement to revenue.

#### **1. Development and Management of Land Projects**

##### **(1) Guilong Development Project**

With the improvement of Guilong Road and the infrastructure in peripheral regions and the development of the whole Guilong Economic Zone, it is expected that the peripheral land of Guilong Project will have great potential for appreciation. In order to effectively reduce the risk of fund recovery from Guilong Project and realise expected or even more incomes from the project, Guishen Company actively engages in the land tenders within the development area of Guilong Project. From 2012 up to the Reporting Date, Guishen Company has successfully won the bid for the land with an area of approximately 2,655 mu (approximately 1,770,000 square meters) with a total transaction amount of approximately RMB896 million. Guishen Company has set up certain wholly-owned subsidiaries to hold and manage the land use rights of the land parcels mentioned above.

Guishen Company is adopting a progressive development strategy by phases. It has conducted secondary self-development for certain land parcels acquired, which has an area of 700 mu (approximately 467,000 square meters). As at the end of the Reporting Period, the handover of a total of 144 sets of houses of Phase I Stage I of Guilong Development Project (also known as “Interlaken Town Project”) (approximately 110 mu, equivalent to 70,000 square meters) have been completed. Through multi-level project promotion and marketing by Guishen Company at the preliminary stage, Interlaken Town has established a favourable brand image in the local market with its unique architectural style, beautiful landscape and good living environment. Currently, the construction and sales of a total of 169 sets of houses of Phase I Stage II (approximately 129 mu, equivalent to 86,000 square meters) have been fully completed and the handover of a total of 120 sets of houses has been completed accumulatively. During the Reporting Period, Guishen Company has commenced the Interlaken Town Phase II Development Project (approximately 400 mu, equivalent to 267,000 square meters) and intended to launch over 230 sets of houses during Phase II Stage I. As at the end of the Reporting Period, over 220 sets of houses have been sold. Approximately 80% of the main work of Phase II Stage I have been completed and it is scheduled to be delivered by the end of 2018. Meanwhile, Guishen Company planned to construct commercial ancillary properties in Phase II and is now applying for approval for the relevant design and planning proposals. Moreover, during the Reporting Period, the Board has also approved Guishen Company to independently develop approximately 375 mu of the land parcel I according to the strategy of unified planning and progressive development by phases.

With continuous economic development in the region where Guilong Project is located, the value of the region continued to grow and thus created a buoyant sales environment in the property market. By operating and implementing the preliminary work of Interlaken Town Project, Guishen Company has explored and accumulated some experience in the management and operation of property development projects, thereby developing a business development model suitable for the property market in such region. In order to seize the opportunities in the market and effectively lower the risks in relation to the collection of receivables from Duohua Bridge Project, during the Reporting Period, the Board approved Guishen Company (or the project company it established for holding lands) to participate in the bidding of land of approximately 1,000 mu which was listed for sale and proposed to be sold in batches by the government of Longli County at a real price of not more than RMB500,000/mu (inclusive).

On the above basis, Guishen Company will, through means such as timely market transfer, cooperation or self-development based on the overall market conditions and development opportunities, realise the market value of the lands it holds and the Group's investment income as soon as possible, at the same time prevent the contractual and market risks in relation to the lands in an effective way.

## **(2) Urban Renewal Project**

Pursuant to the relevant agreement and the approval of the general meeting of the Company, the Company and Shenzhen International (through XTC Company, its wholly-owned subsidiary) jointly contributed capital to establish United Land Company. Being the reporting entity and implementing entity of Meilin Checkpoint Urban Renewal Project, the Company and XTC Company own 49% and 51% equity interests of United Land Company respectively. Meilin Checkpoint Urban Renewal Project occupies a land area of approximately 96,000 square meters, which shall be used for residential and commercial purposes, and a capacity building area of not more than 486,400 square meters (including public facilities). United Land Company has acquired the land use right of the land as planned. For details, please refer to the Company's announcements dated 8 August 2014, 10 September 2014 and 8 October 2014 and the circular dated 17 September 2014. Enjoying a good location, the land price of the Meilin Checkpoint Urban Renewal Project has certain advantages over the market price of the surrounding land, including higher investment value and more rooms for appreciation. As at the end of the Reporting Period, United Land Company has completed 90% of the demolition and relocation work and determined to adopt the "entrusted development" model. The public tendering of entrusted construction management has been completed and it is confirmed that Vanke will be the entrusted construction and management party of the project. The project has officially commenced construction in the fourth quarter of 2017.

In addition, given that the preliminary work of Meilin Checkpoint Urban Renewal Project was basically completed, the Company has commenced the relevant development and construction work as planned. According to the project development plan, United Land Company will enter the stage of net capital inflow after pre-sale of property, during which the project would be able to maintain operation with a small amount of capital. In order to promptly recover the investment capital of the Group, avoid idle capital, enhance overall efficiency of capital utilisation of the Group, reduce consolidated capital cost of the Group and improve the overall corporate efficiency and shareholders' returns, with the approval of the Board of the Company, XTC Company, the Company and United Land Company entered into the Capital Reduction Agreement on 2 February 2018. The three parties, upon negotiation, unanimously agreed that the Company and XTC Company shall reduce their capital contribution to United Land Company in proportion to their shareholdings simultaneously with a total capital reduction amount of RMB4.5 billion, among which the capital reduction amount of the Company and XTC Company were RMB2.205 billion and RMB2.295 billion, respectively. After the completion of the capital reduction, the registered capital of United Land Company will decrease from RMB5 billion to RMB500 million. The Company and XTC Company will hold the equity interest in United Land Company in proportion to their existing shareholdings and entitled to shareholders' rights and interests. For details, please refer to the Company's announcements dated 25 January 2018 and 2 February 2018.

## **(IV) Environmental Protection Business**

As clearly stated in the Group's new development strategies, in order to open up a broader space for the Group's long-term development, the Group will proactively explore the investment prospects and opportunities of the environmental protection industry that takes water environment remediation and solid waste treatment as the main content while consolidating and enhancing the core business of toll highway. The Group has established Environmental Company as a market-oriented platform for expanding businesses in relation to the environmental protection industry. In 2017, the Group took a great step towards expanding into the environmental protection industry. On one hand, it has expanded into various segments of the environmental protection industry from a high starting point by successfully acquiring the equity interests in two leading environmental protection enterprises.

On the other hand, by collaborating with industrial leaders and complementing each other's advantages, the Group has achieved synergy of talents and technological resources, regional competitiveness and marketability, and carried out in-depth cooperation such as joint project investment and regional market development with a view to enhancing the market competitiveness of the Group. Moreover, in conjunction with the regional expansion strategy, the Group has participated in comprehensive urban development and construction, thereby rapidly expanding into the area of construction and operation of environmental protection projects such as water treatment of river channels, integrated management of solid waste and waste power generation.

During the Reporting Period, by participating in the registration and competitive negotiations on the capital injection project involving 50% equity interests in Water Planning Company organised by Shenzhen United Property and Share Rights Exchange, the Group ultimately subscribed for 15% of the equity interests at a consideration of RMB10.315 per registered capital, totalling RMB61,890,000 upon the capital injection of Water Planning Company. The relevant agreement in respect of the capital injection has been entered into on 13 July 2017. Water Planning Company is one of the first comprehensive survey and design organisation in the PRC to commence integrated water design. It processes 7 A-grade qualifications in areas such as water conservancy industry, municipal water supply and drainage, comprehensive engineering survey and surveying etc. It is one of the top 500 PRC enterprises in the field of survey and design, and one of the top 50 PRC enterprises in the field of water conservancy survey and design. By investing in Water Planning Company at a reasonable price, the Company would be able to achieve reasonable investment return, at the same time expanding into the water environmental management field from a high starting point. This will help the Company to acquire resources for technological research and development in respect of water environmental management and urban water planning, expand market channels, achieve complementary advantages along the industrial chain with related cooperating parties, thereby assisting the Company to rapidly enhance its competitiveness in market of water environmental management. For details, please refer to the Company's announcements dated 6 April 2017 and 13 July 2017 respectively and the section of "Report of the Directors" in the 2017 Annual Report of the Company.

During the Reporting Period, Environmental Company, a wholly-owned subsidiary of the Group, entered into the Equity Transfer Agreement with Water Asset in Chongqing, pursuant to which, Environmental Company acquired 20% equity interests in Derun Environment from Water Asset at a consideration price of RMB4,408,644,500. As Derun Environment is a comprehensive environmental enterprise with two major business segments, namely water treatment and waste incineration power generation, the Company believes that Derun Environment has stable profitability, abundant cash flow, strong scale advantages, regional competitive advantage and growth potentials. By acquiring Derun Environment's equity interest through Environmental Company at a reasonable price, the Company can expand its environmental business and obtain a reasonable return on investment. On the other hand, the Company may also carry out in-depth cooperation with Derun Environment and complement each other's advantages in business development. For details, please refer to the Company's announcements dated 19 May 2017 and 25 May 2017, the circular dated 29 May 2017 and the section of "Report of the Directors" in the 2017 Annual Report of the Company.

On 30 December 2016, the Board approved Investment Company to participate in the Nanmen River Comprehensive Management Project ("Nanmen River Comprehensive Management Project") in Shenzhen-Shanwei Special Cooperation Zone. In the case of a total investment of not more than RMB320 million, Investment Company and Zhongjiao Tianjin Waterway Bureau Co., Ltd (中交天津航道局有限公司) jointly participated in the investment, construction and management of Nanmen River Comprehensive Management Project as a consortium. As at the end of the Reporting Period, the establishment of the project has been approved. The preliminary work of submission for approval such as the preliminary approval of land use of the project, construction feasibility study, environmental impact assessment and water and soil conservation have been pushed forward in good order. The construction of all river sections equipped with operation platform has been basically completed.



During the Reporting Period, with the approval of the Board, a project company was established by Environmental Company through equity investment to commence relevant preliminary work of the waste incineration power generation project in Longli County.

In order to explore business opportunities regarding urban infrastructure construction in Shenzhen-Shanwei Special Cooperation Zone and enhance efficiency in decision making, with the approval of the Board, the Company established Shenzhen Expressway (Shenzhen-Shanwei Special Cooperation Zone) Infrastructure Environmental Protection Development Company Limited (深高速(深汕特別合作區)基建環保開發有限公司), a wholly-owned subsidiary, at the end of the Reporting Period, which will serve as a cooperation and connecting platform and internal resource integration platform for the Company in Shenzhen-Shanwei Special Cooperation Zone. The company has a registered capital of RMB500 million and is principally engaged in foundation work-related projects, comprehensive land development projects under joint infrastructure construction projects and environmental protection development projects.

For details of the profits regarding Water Planning Company and Derun Environment during the Reporting Period, please refer to the relevant content in “Financial Analysis” below and note V\10、note V\12 and VII\2 to the Financial Statement in this announcement.

## **(V) Other Businesses**

The Group subscribed for the additional shares issued by Bank of Guizhou in 2015 and 2016 respectively. As at the end of the Reporting Period, the Group held a total of 426,000,000 shares of Bank of Guizhou. The equity interests held by the Group accounted for approximately 3.78% of the total share capital of Bank of Guizhou after the capital increase. As Bank of Guizhou has a good cash dividend capability and huge rooms for development, the subscription for additional shares in Bank of Guizhou can optimise the Company’s asset allocation and bring a good synergy to the Company’s follow-up infrastructure investment and business operation in the relevant areas. For details of the investment income from Bank of Guizhou, please refer to relevant content in “Financial Analysis” below.

The Group has engaged in the businesses of billboard leasing, advertising agency, design production and related businesses alongside the toll highways and at the toll stations through Advertising Company, its wholly-owned subsidiary. In addition to operating and disseminating the self-owned media resources along the expressways, Advertising Company has also further developed outdoor media businesses of main urban roads and provided brand building and promotion plans for customers in recent years.

Consulting Company, held as to 24% by the Company, is a professional engineering consulting company with independent legal status. Its business scope covers pre-consultation, survey and design, tendering agency, cost consulting, engineering supervision, engineering experiment and testing, maintenance consulting, etc., with the qualification and capability of providing consulting services to the whole process of investment and construction of engineering project.

Guangdong UETC, held as to 12.86% by the Company, is principally engaged in electronic clearing business of the toll highways in Guangdong Province, including investment, management and services of electronic toll and clearing systems, and the sales of related products.

With the approval of the Board, the Company established Shenzhen Expressway (Guangzhou) Industrial Investment Fund Management Company Limited (深高速(廣州)產業投資基金管理有限公司) in December 2017 as the Group’s channel for expanding the financing models in the transport infrastructure industry and environmental protection industry and a platform for incubating projects. As at the end of the Reporting Period, no businesses had been conducted by the fund in respect of its investment, merger and acquisition. For details, please refer to the Company’s announcements dated 18 August 2017 and 12 January 2018, respectively.

During the Reporting Period, each of the above businesses proceeded smoothly and has met the Group's expectation in general. Due to the limitation on the scales or investment modes, the contributions from these businesses currently only account for a very small proportion of the Group's revenue and profit. For details of other businesses during the Reporting Period, please refer to the relevant content in note V\12 and note V\43 to the Financial Statement in this announcement.

## 4.2 Financial Analysis

In 2017, the Group recorded net profit attributable to owners of the Company ("net profit") of RMB1,426,403,000 (2016: RMB1,169,353,000), representing a YOY increase of 21.98%. This was mainly due to the growth of toll revenue recorded by the toll highways operated and invested by the Group during the Reporting Period and the revenue contributed by newly acquired projects.

### (I) Analysis of Main Business

#### Analysis of Changes in Related Items in the Income Statement and Cash Flow Statement

Unit: '000 Currency: RMB

Item	Amount for the current period	Amount for the corresponding period of last year	Change (%)
Revenue	4,836,621	4,532,209	6.72%
Cost of services	2,498,642	2,532,931	-1.35%
Selling expenses	20,134	18,637	8.03%
General and administrative expenses	183,667	138,535	32.58%
Financial expenses	550,628	639,443	-13.89%
Investment income	528,851	433,982	21.86%
Income tax expenses	369,643	306,027	20.79%
Net cash flows from operating activities	2,660,706	2,126,610	25.11%
Net cash flows from investing activities	-6,991,110	-2,529,509	176.38%
Net cash flows from financing activities	1,773,125	-1,529,440	N/A

#### 1. Analysis of Income and Cost

During 2017, the Group recorded revenue of RMB4,836,621,000, representing a YOY increase of 6.72%. Excluding the effect of de-consolidating the Consulting Company from the Group's financial statements, the Group recorded a YOY increase of 15.20%. In particular, toll revenue amounted to RMB4,284,638,000, accounting for 88.59% of the Group's revenue, which is the main source of revenue of the Group. The growth of the Group's revenue during the Reporting Period was primarily attributable to the growth of toll revenue from the Group's existing ancillary toll highways and the revenue contribution resulted from the consolidation of Shenchang Company and Yichang Company into the Group's financial statements.

Unit: '000 Currency: RMB

Revenue item	2017	Percentage of total (%)	2016	Percentage of total (%)	Change	Description
Revenue from main business – toll highways	4,284,638	88.59	3,679,988	81.20	16.43	(1)
Revenue from other businesses – entrusted management services	103,117	2.13	121,417	2.68	-15.07	(2)
Revenue from other businesses – real estate development	317,418	6.56	253,685	5.60	25.12	(3)
Revenue from other businesses – engineering consulting	-	-	333,918	7.37	-100.00	(4)
Revenue from other businesses – advertising and others	131,448	2.72	143,201	3.15	-8.21	
<b>Total revenue</b>	<b>4,836,621</b>	<b>100.00</b>	<b>4,532,209</b>	<b>100.00</b>	<b>6.72</b>	

#### Description:

- (1) During 2017, the Group recorded a YOY increase of 16.43% in toll revenue, in which the contribution from toll revenue of RMB337,263,000 during the Reporting Period was resulted from the consolidation of Shenchang Company and Yichang Company into the Group's financial statement since 1 April 2017 and 15 June 2017 respectively. Save for the effect for this factor, the Group's toll revenue of the existing ancillary toll highways recorded a YOY increase of 7.27%, which was mainly due to the fact that each of the ancillary toll highways recorded certain extent of growth benefitting from the organic growth of traffic volume, the improvement of neighboring road networks and the induced growth of traffic volume after the implementation of the toll-free policy for the Three Projects. In addition, pursuant to the agreement on toll adjustments for the Three Projects signed by the Company with the Transport Commission of Shenzhen Municipality, the Company recognised compensation for the toll revenue from the Three Projects of RMB730,670,000 according to the agreement during the Reporting Period. Detailed analysis of the operational performance of various projects during the Reporting Period is set out in the "Business Review" above. Breakdown of revenue by specific component is set out in Point (1) below.
- (2) During the Reporting Period, revenue from entrusted management services recorded a YOY decrease of 15.07%, mainly due to the fact that the agreement for entrusted operation management service of Coastal Phase I was entered into by the Company during the corresponding period last year, pursuant to which revenue from entrusted management services of RMB50,943,000 from 1 January 2014 to 31 December 2016 was recognised.
- (3) During the Reporting Period, Guilong Development Project was completed and part of the commodity housings were delivered. Revenue from such part of real estate development was recognised accordingly.
- (4) Consulting Company was de-consolidated from the Group's financial statements since 30 November 2016.

#### (1) Breakdown of main business by industry, product and region

Unit: '000 Currency: RMB

Breakdown of main business by industry						
Industry	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Toll highway	4,284,638	2,120,179	50.52	16.43	13.80	Increase 1.15 pct.pt

Breakdown of main business by product						
Product	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Qinglian Expressway	736,037	425,681	42.17	9.60	8.69	Increase 0.48 pct.pt
Jihe East	716,148	299,883	58.13	10.73	0.01	Increase 4.49 pct.pt
Shuiguan Expressway	643,414	433,420	32.64	3.85	3.63	Increase 0.14 pct.pt
Jihe West	631,229	111,780	82.29	5.05	0.69	Increase 0.77 pct.pt
Wuhuang Expressway	366,800	229,343	37.47	6.73	15.06	Decrease 4.53 pct.pt
Nanguang Expressway	351,069	178,982	49.02	6.61	5.38	Increase 0.59 pct.pt
Yanba Expressway	191,772	126,786	33.89	6.62	7.10	Decrease 0.30 pct.pt
Yanpai Expressway	188,146	79,948	57.51	7.85	-5.53	Increase 6.02 pct.pt
Meiguan Expressway	122,760	74,233	39.53	7.74	5.94	Increase 1.03 pct.pt
<b>Subtotal</b>	<b>3,947,375</b>	<b>1,960,056</b>	<b>50.35</b>	<b>7.27</b>	<b>5.21</b>	<b>Increase 0.98 pct.pt</b>
Yichang Expressway	228,371	115,670	49.35	N/A	N/A	N/A
Changsha Ring Road	108,892	44,453	59.18	N/A	N/A	N/A
<b>Total</b>	<b>4,284,638</b>	<b>2,120,179</b>	<b>50.52</b>	<b>16.43</b>	<b>13.80</b>	<b>Increase 1.15 pct.pt</b>
Breakdown of main business by region						
Region	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Guangdong Province	3,580,575	1,730,714	51.66	7.32	4.03	Increase 1.53 pct.pt
Hubei Province	366,800	229,343	37.47	6.73	15.06	Decrease 4.53 pct.pt
Hunan Province	337,263	160,123	52.52	N/A	N/A	N/A
<b>Total</b>	<b>4,284,638</b>	<b>2,120,179</b>	<b>50.52</b>	<b>16.43</b>	<b>13.80</b>	<b>Increase 1.15pct.pt</b>

#### Description on the breakdown of main business by industry and product:

During 2017, the overall gross profit margin of the Group's ancillary toll highways was 50.52%, representing a YOY increase of 1.15 pct.pt, mainly attributable to the growth of toll revenue and the decline of special maintenance expenses, the gross profit margin of projects such as Jihe East and Yanpai Expressway has increased. The gross profit margin of Wuhuang Expressway decreased due to the increase in depreciation and amortisation during the Reporting Period as a result of adjustment of the unit amortisation amount.

#### (2) Analysis of cost

During 2017, the cost of services of the Group amounted to RMB2,498,642,000 (2016: RMB2,532,931,000), representing a YOY decrease of 1.35%. Among which, Shenchang Company and Yichang Company had been consolidated into the Group's financial statements, resulting in an increase in cost of services, while the de-consolidation of Consulting Company from the financial statements has resulted in a decrease in cost of business of engineering consulting accordingly. After excluding the effect of the change of scope of consolidation, the cost of services for the Reporting Period recorded a YOY increase of 3.71%, which was mainly due to the YOY increases in the depreciation and amortisation expenses of ancillary toll highways and carry-forward of real estate development costs of Guilong Development Project during the Reporting Period.

unit:'000 Currency: RMB

Breakdown by industry							
Industry	Cost item	Amount for the current period	Amount for the current period as a percentage of total costs (%)	Amount for the corresponding period of last year	Amount for the corresponding period of last year as a percentage of total costs (%)	Change in amount for the current period as compared to the corresponding period of last year (%)	Description
Cost of main business – toll highway	Employee expenses	323,920	12.96	290,130	11.45	11.65	(1)
	Road maintenance expenses	172,837	6.92	180,647	7.13	-4.32	(2)
	Depreciation and amortisation	1,409,381	56.41	1,195,477	47.20	17.89	(3)
	Other business costs	214,041	8.56	196,747	7.77	8.79	
	<b>Sub-total</b>	<b>2,120,179</b>	<b>84.85</b>	<b>1,863,001</b>	<b>73.55</b>	<b>13.08</b>	(4)
Cost of other businesses – entrusted management services	63,761	2.55	92,649	3.66	-31.18	(5)	
Cost of other businesses – real estate development	233,768	9.36	213,008	8.41	9.75	(6)	
Cost of other businesses – engineering consulting	-	-	278,150	10.98	-100.00		
Cost of other businesses – advertising and others	80,935	3.24	86,123	3.40	-6.02		
<b>Total cost of services</b>	<b>2,498,642</b>	<b>100.00</b>	<b>2,532,931</b>	<b>100.00</b>	<b>-1.35</b>		

**Description:**

- (1) Mainly represents the salary rise of toll collection staff, and the consolidation of Shenchang Company and Yichang Company into the Group's financial statements, which has resulted in a YOY increase in the employee expenses.
- (2) Mainly represents the special maintenance expenses of Jihe East, Yanpai Expressway and Wuhuang Expressway incurred in the corresponding period of last year. The expense during this period represented a YOY decrease.
- (3) Mainly represents the adjustment of unit amortisation amount of the concession intangible assets of Wuhuang Expressway on 1 October 2016, the increase in traffic volume of each of the ancillary toll highways, and the consolidation of Shenchang Company and Yichang Company into the Group's financial statements, which has resulted in an increase in the costs of depreciation and amortisation.
- (4) Costs presented based on specific component are set out in "Breakdown of Main Business by Industry, Product and Region" above.
- (5) Cost of entrusted construction management services mainly represents employee expense related to the project management and other service cost payable based on the results of audit conducted by the government on the projects and the contractual commitment. During the Reporting Period, the cost of the entrusted management services decreased, which was mainly due to the recognition of the entrusted construction management cost of Section A of Outer Ring in the corresponding period of last year.
- (6) Guilong Development Project carried forward of real estate development cost in relation to the commodity housing delivered during the year.

### (3) Major customers and major suppliers

Given the nature of the Group's business, the target customers of sale of toll highways are not specific. Apart from toll revenue, the total revenue from the top five customers of the Group amounted to RMB105,411,000, accounting for 2.18% of the overall revenue of the Group; among the revenue from the top five customers, revenues from related parties amounted to RMB44,961,000, accounting for 0.93% of the total sales during the year.

The purchases from the Group's top five suppliers amounted to RMB198,969,000, accounting for 18.55% of total purchases of the Group; of which none was purchase from related parties.

## 2. Expenses

The Group's selling expenses for the year of 2017 amounted to RMB20,134,000 (2016: RMB18,637,000), representing a YOY increase of 8.03%. The increase was mainly due to the increase in the marketing expenses of Guilong Development Project.

The Group's general and administrative expenses for the year of 2017 amounted to RMB183,667,000 (2016: RMB138,535,000), representing a YOY increase of 32.58%. The increase was mainly due to the expansion of business scale, the increase in benefits, the increase in number of managerial staff and increase in salaries during the Reporting Period.

The Group's financial expenses for the year of 2017 amounted to RMB550,628,000 (2016: RMB639,443,000), representing a YOY decrease of 13.89%, which was mainly due to the YOY increase in exchange gains from USD debentures arising from RMB appreciation during the Reporting Period. The Company issued 5-year overseas debentures in the amount of USD300 million on 18 July 2016. To mitigate risks related to exchange rate, the Company had entered into a foreign exchange swap transaction to lock in foreign exchange risks. For details of the foreign exchange swap transaction, please refer to Point (2) below. In addition, during the Reporting Period, due to the increase in the average borrowing scale and the decrease in cash at bank and on hand, the Group recorded an increase in interest expenses and a decrease in interest income respectively. For details of the changes in borrowing scale and cash at bank and on hand, please refer to "Analysis of Assets and Liabilities" below. The detailed analysis of financial expenses is as follows:

Unit: '000 Currency: RMB

Financial expenses item	2017	2016	Change (%)
Interest expenses	727,251	631,890	15.09
Less: Interest capitalised	20,377	3,287	520.01
Interest income	44,591	78,826	-43.43
Add: Exchange loss and others	-111,655	89,666	-224.52
<b>Total financial expenses</b>	<b>550,628</b>	<b>639,443</b>	<b>-13.89</b>

During 2017, the Group's income tax expenses amounted to RMB369,643,000 (2016: RMB306,027,000), representing a YOY increase of 20.79%, which was mainly due to the increase in taxable income resulting from the growth of toll revenue of the existing ancillary toll highways during the Reporting Period, and the increase in the Group's income tax expenses resulting from the consolidation of Shenchang Company and Yichang Company into the Group's financial statements during the Reporting Period.

### 3. Investment Income

During 2017, the Group recorded investment income of RMB528,851,000(2016: RMB433,982,000), representing a YOY increase of 21.86%. After excluding the effect of the recognition of investment income from the transfer of subsidiaries and gain from revaluation of the fair value of the original equity interest held or the remaining equity interests due to changes of control as shown in the table below, the Group's investment income recorded a YOY increase of 39.32% during the Reporting Period. This was mainly due to the increase in investment income from newly acquired projects and the increase in income from existing toll highway projects operated by joint ventures and associates during the Reporting Period. Among which, upon the completion of acquisition of equity interest in Derun Environment at the end of May, the Group recognised investment income of RMB125,957,000 for the year. Meanwhile, benefitting from the positive impact brought by the expansion or restriction on use of vehicles due to overhaul of surrounding roads, GZ W2 Expressway, Nanjing Third Bridge and Jiangzhong Expressway recorded significant growth of profit, while Guangwu Project recorded a decrease in income due to the diversion effect caused by the commencement of operation of new roads.

The detailed analysis of investment income is as follows:

Unit: '000 Currency: RMB

Item	2017	2016	Amount of changes
<b>1. Investment income attributable to joint ventures and associates</b>			
Yangmao Expressway	84,064	79,995	4,069
GZ W2 Expressway	49,124	34,133	14,991
Nanjing Third Bridge	44,076	36,217	7,859
Guangwu Project	38,579	45,827	-7,248
Jiangzhong Expressway	22,111	16,672	5,439
Shuiguan Extension	8,233	4,781	3,452
Changsha Ring Road <sup>Note 1</sup>	7,080	26,307	-19,227
Bank of Guizhou	100,301	63,335	36,966
Derun Environment	125,957	-	125,957
Others	9,691	-1,171	10,862
<b>Subtotal</b>	<b>489,216</b>	<b>306,096</b>	<b>183,120</b>
<b>2. Gain from valuation of the fair value of the original equity interest held after consolidation of entity which is not under common control</b>	27,504	-	27,504
<b>3. Investment income arising from the transfer of subsidiaries</b>	-	52,828	-52,828
<b>4. Gain on revaluation of the fair value of remaining equity interests after losing control</b>	-	21,305	-21,305
<b>5. Investment income recognised for available-for-sale financial assets <sup>Note 2</sup></b>	5,400	38,200	-32,800
<b>6. Investment income recognised for foreign exchange swap financial tool</b>	-851	-	-851
<b>7. Investment income from wealth management products</b>	7,582	15,554	-7,972
<b>Total</b>	<b>528,851</b>	<b>433,982</b>	<b>94,869</b>

Note 1: Shenchang Company, originally a joint venture of the Company, has been consolidated into the Group's financial statements since 1 April 2017. The investment income from Changsha Ring Road during the Reporting Period represents the data of the first quarter of 2017.

Note 2: The investment income represents the dividend distributed by UETC for the year of 2016, while the investment income for the corresponding period of last year represents the dividend distributed by Bank of Guizhou for the year of 2015, which was unaudited and calculated by using the equity method.

#### 4. Cash Flow

**Descriptions on the reasons for changes in net cash flows from operating activities:** The toll revenue of the Group's principal toll highway operations is collected in cash, thereby providing the Group with a steady operating cash flow. During 2017, the Group's net cash flow from operating activities and cash return on investments<sup>Note</sup> totalled RMB3,025,481,000 (2016: RMB2,410,065,000), representing a YOY increase of 25.54%, which was mainly attributable to an increase in the Group's net cash flows from operating activities as a result of the consolidation of Shenchang Company and Yichang Company into the Group's financial statements, and the increase in proceeds from pre-sale of Guilong Development Project and dividend received from Derun Environment during the Reporting Period.

*Note: Aggregated figures of net cash inflows from operating activities and cash return on investments =*

*Net cash flows from operating activities + Cash received from investments + Cash received from investment income. According to the articles of association of the Company's joint ventures and associates, those companies will distribute cash to their shareholders if the conditions for cash distribution are fulfilled. According to the characteristics of the toll highway industry, such cash return on investments will provide continuous and stable cash flow. The reason that the Company provided the aggregated figures of net cash inflows from operating activities and cash return on investments was to help the users of the financial statements understand the performance of recurring cash flow from the Group's operating and investing activities.*

**Descriptions on the reasons for changes in net cash flows from investing activities:** The Group paid for the consideration of acquisition of equity interests of Derun Environment, Yichang Company and Coastal Company during the Reporting Period. The net cash outflows from investing activities amounted to RMB6,991 million.

**Descriptions on the reasons for changes in net cash flows from financing activities:** During the Reporting Period, the Group recorded a YOY increase in borrowings to satisfy its needs for operation, acquisition of equity interests and construction of Outer Ring Project. The net cash inflows from financing activities amounted to RMB1,773 million.

#### 5. Amortisation Policies of Concession Intangible Assets and the Difference of Amortisation Methods

The Group's concession intangible assets are amortised based on the units-of-usage method. The amortised amount is calculated, based on usage amount per unit, by the percentage of the actual traffic volume in the respective periods to the total projected traffic volume during the toll operating period. The Group conducts regular review on the projected traffic volume and makes corresponding adjustments to ensure truthfulness and accuracy of the amortised amount. Details of this accounting policy and accounting estimates are set out in notes III\17(1) and 30(2) to the Financial Statements in this report.

Under normal circumstances, during the preliminary stage of toll highway operation, the traffic flow is relatively low, and the amortised amount calculated by the traffic flow method is lower than that calculated by the straight-line method. During the Reporting Period, the difference in amortisation attributable to the Company calculated by using two amortisation methods based on its share of interests was RMB26 million, representing a YOY decrease. The adoption of different amortisation methods had no impact on the cash flow generated from various toll highway projects and thus had no impact on the valuation of various projects.

#### (II) Description on Material Changes in Profits from Non-main Business

##### 1. Profit and Loss from Changes in Fair Value Recognised for Foreign Exchange Swap Transaction on Issued USD Debenture

The Company issued a 5-year overseas debenture amounting to USD300 million on 18 July 2016. To mitigate the risks related to fluctuation in USD exchange rate, the Company entered into a foreign exchange swap transaction to lock in foreign exchange risk. During the Reporting Period, due to the appreciation of RMB, the Group recognised loss from changes in fair value of RMB146,363,000 of the swap transaction instrument, which represents the exchange lock-in cost after deducting the exchange gain from the USD debenture held during the Reporting Period. Details are set out in note V\2 and V\42 to the Financial Statements in this announcement.



### (III) Analysis of Assets and Liabilities

#### 1. Assets and Liabilities

The Group's assets mainly comprise concession intangible assets in high-grade toll highways and equity investments in the enterprises operating toll highways, which accounts for 59.89% of its total assets, and cash at bank and on hand as well as other assets, which accounts for 6.73% and 33.38% of its total assets, respectively. As at 31 December 2017, the Group's total assets amounted to RMB37,473,827,000 (2016: RMB32,384,844,000), representing an increase of 15.71% over 2016, mainly due to the acquisition of the equity interests in Derun Environment, Yichang Company and Coastal Company during the Reporting Period, which has resulted in a growth of asset scale.

As at 31 December 2017, the total outstanding interest-bearing liabilities of the Group amounted to RMB17,071,631,000 (2016: RMB12,941,286,000), representing an increase of 31.92% over the end of 2016, mainly due to the consolidation of Yichang Company into the Group's financial statement during the Reporting Period, resulting in an increase in the total borrowings of the Group, as well as the increase in bank borrowings with an aim to satisfy its needs for operation, acquisition of equity interests and construction of Outer Ring Project of the Group. In 2017, the average borrowing scale of the Group was RMB15.2 billion (2016: RMB12.9 billion), representing a YOY increase of 17.83%.

Detailed analysis of assets and liabilities is as follows:

Unit: '000 Currency: RMB

Name of item	Amount as at the end of the current period	Amount as at the end of the current period as a percentage of total assets (%)	Amount as at the end of the previous period	Amount as at the end of the previous period as a percentage of total assets (%)	Change in amount as at the end of the current period as compared to the end of the previous period (%)	Description
Cash at bank and on hand	2,521,266	6.73%	5,663,898	17.49%	-55.49%	(1)
Accounts receivable	215,538	0.58%	545,051	1.68%	-60.46%	(2)
Interest receivable	2,210	0.01%	15,870	0.05%	-86.08%	(3)
Other receivables	170,156	0.45%	99,298	0.31%	71.36%	(4)
Non-current assets due within one year	79,908	0.21%	124,169	0.38%	-35.65%	(5)
Other current assets	39,367	0.11%	564,329	1.74%	-93.02%	(6)
Long-term prepayments	326,996	0.87%	184,698	0.57%	77.04%	(7)
Available-for-sale financial assets	106,557	0.28%	43,490	0.13%	145.02%	(8)
Long-term receivable	258,388	0.69%	16,519	0.05%	1464.16%	(9)
Long-term equity investments	9,064,252	24.19%	4,703,282	14.52%	92.72%	(10)
Construction in progress	29,162	0.08%	13,575	0.04%	114.82%	(11)
Deferred income tax assets	147,866	0.39%	53,142	0.16%	178.25%	(12)
Other non-current assets	1,472,000	3.93%	-	-	N/A	(13)
Short-term borrowings	2,518,256	6.72%	-	-	N/A	(14)
Accounts payable	348,257	0.93%	219,558	0.68%	58.62%	(15)
Advances from customers	485,162	1.29%	227,630	0.70%	113.14%	(16)
Employee benefits payable	164,023	0.44%	108,838	0.34%	50.70%	(17)
Taxes payable	244,196	0.65%	156,192	0.48%	56.34%	(18)
Interests payable	66,674	0.18%	100,188	0.31%	-33.45%	(19)
Other payables	1,412,456	3.77%	2,387,125	7.37%	-40.83%	(20)
Financial liabilities at fair value through profit or loss	71,372	0.19%	-	-	N/A	(21)
Long-term borrowings	4,979,185	13.29%	1,783,024	5.51%	179.26%	(22)

**Descriptions:**

- (1) Payment for consideration of acquisition of the equity interest in Derun Environment and Yichang Company as well as distribution of dividend for the year of 2016.
- (2) The extension of settlement period of the revenue receivable from the entrusted construction management services of Coastal Phase I to over one year, as such, the item was transferred to “long-term receivables”.
- (3) Decrease in interest receivable on fixed deposit.
- (4) Advances for the construction work of Nanmen River Comprehensive Management Project and expected tax recoverables due to compensation receivable of toll fee adjustment of Meiguan Expressway.
- (5) Receipt of part of receivables of Longli BT Project and the reversal of remaining compensation receivable of toll fee adjustment of Meiguan Expressway.
- (6) Redemption of wealth management products from banks.
- (7) Increase in construction prepayments for Outer Ring Project.
- (8) Acquisition of additional 15% equity interests in Water Planning Company.
- (9) The extension of settlement period of the revenue receivable from the entrusted construction management services of Coastal Phase I to over one year, as such, the item was transferred to “long-term receivables”.
- (10) Acquisition of 20% equity interests in Derun Environment.
- (11) Reconstruction and expansion of some of the toll stations of Qinglian Expressway and increase in investment in certain mechanical and electrical equipment of ancillary highways.
- (12) The consolidation of Shenchang Company into the Group’s financial statements has resulted in an increase in its deferred income tax assets in relation to concession intangible assets as well as recognition of deferred income tax assets in relation to losses from changes in fair value of Forex Swap.
- (13) As the procedures of equity acquisition of Coastal Company has not been completed, the equity transfer prepayment was temporarily classified as “other non-current assets”.
- (14) Increase in short-term borrowings.
- (15) The consolidation of Shenchang Company and Yichang Company into the Group’s financial statements has resulted in an increase in accounts payable and an increase in payables for construction projects of Outer Ring Project.
- (16) Increase in the proceeds from pre-sale of commodity housing of Guilong Development Project.
- (17) The consolidation of Shenchang Company and Yichang Company into the Group’s financial statements has resulted in an increase in employee benefits payable and an increase in provision for performance bonus.
- (18) The consolidation of Shenchang Company and Yichang Company into the Group’s financial statements has resulted in an increase in taxes payable.
- (19) Corresponding decrease in interests payable as at the end of the period due to repayment for RMB1 billion medium-term notes upon maturity.
- (20) Decrease in the balance of construction funds invested by the government for Outer Ring Project.
- (21) Recognition of losses from changes in fair value of Forex Swap
- (22) The consolidation of Yichang Company into the Group’s financial statements has resulted in an increase in long-term borrowings, and an increase in some of the consortium loans for Outer Ring Project and loans for the merging and acquisition of the Coastal Company.

## 2. Restriction on Main Assets as at the End of the Reporting Period

As at the end of the Reporting Period, details of the Company's and its subsidiaries' assets mortgaged or pledged are as follows:

Assets	Type	Bank	Scope of security	Term
Toll collection rights of Qinglian Project <sup>Note 1</sup>	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB5.9 billion	Until repayment of all liabilities under the loan agreement by Qinglian Company
100% equity interests in Meiguan Company	Pledge	China Construction Bank Shenzhen Branch	Counter-guarantee for the irrevocable guarantee with joint liability in respect of the redemption of the corporate bonds with an amount of RMB800 million upon maturity	Until full repayment of principal and interests on corporate bonds
Toll collection rights of Outer Ring Expressway and all proceeds from the project <sup>Note 2</sup>	Pledge	A consortium including China Development Bank, etc.	Bank loans in an aggregate amount of RMB6.5 billion	Until full repayment of all liabilities under the master contract
Toll collection rights of Shuiguan Expressway <sup>Note 3</sup>	Pledge	Bank of China Shenzhen Central Sub-branch	Bank loans in an aggregate amount of RMB450 million	Until repayment of all liabilities
	Pledge	Zheshang Bank Shenzhen Branch	Bank loans in an aggregate amount of RMB220 million	Until repayment of all liabilities
	Pledge	Industrial and Commercial Bank of China Futian Sub-branch	Bank loans in an aggregate amount of RMB200 million	Until repayment of all liabilities
45% equity interests in JEL Company <sup>Note 4</sup>	Pledge	The Hongkong and Shanghai Banking Corporation Limited	Principal and interests of loans in USD	Until full repayment of principal and interests on loans in USD and relevant expenses
Toll collection rights of Yichang Expressway <sup>Note 5</sup>	Pledge	Industrial and Commercial Bank of China Changsha Simenkou Sub-branch	Bank loans in an aggregate amount of RMB1.66 billion	Until repayment of all liabilities
	Pledge	Bank of China Hunan Branch	Bank loans in an aggregate amount of RMB110 million	Until repayment of all liabilities

### Notes on mortgage/ pledge of assets:

- Note 1: Pledged by Qinglian Company, a subsidiary of the Company. As at the end of the Reporting Period, the balance of such consortium loans withdrawn by Qinglian Company was RMB1,783 million.
- Note 2: The Outer Ring Company applied for a bank loan in an aggregate amount of RMB6.5 billion from the consortium by pledging the proceeds and credits receivable from the operating activities of Outer Ring Expressway. As at the end of the Reporting Period, the balance of such consortium loans withdrawn by Outer Ring Company was RMB1,154 million.
- Note 3: Pledged by Qinglong Company, a subsidiary of the Company. The loans acquired were applied towards the repayment of shareholders' borrowings. Currently, the balance of such loans is RMB870 million.
- Note 4: Pledged by Mei Wah Company, a subsidiary of the Company, as a security for applying bank loans in USD. As at the end of the Reporting Period, the balance of such loans is USD36,000,000.
- Note 5: Pledged by Yichang Company, a subsidiary of the Company. As at the end of the Reporting Period, the balance of such bank loans withdrawn by Yichang Company was RMB1,298 million.

### 3. Capital Structure and Debt Repayment Capability

The Company is always committed to maintaining a rational capital structure and enhancing its profitability, in order to maintain its good credit ratings and solid financial position. During the Reporting Period, due to the combined effect of increase in the size of borrowings scale, vast amount of cash investments and distribution of profit, the debt-to-asset ratio and the net borrowings-to-equity ratio of the Group increased to a certain extent respectively as compared with that at the beginning of the year. During the Reporting Period, the Group's businesses demonstrated steady development, recording an increase in revenue while further enhancing the effectiveness of cost management and steadily improving the debt repayment capability. Given the Group's stable and robust operating cash flows and its strong capability in financing and capital management, the Directors are of the view that the financial leverage ratios remained at safe levels as at the end of the Reporting Period.

Key indicators	As at the end of 2017	As at the end of 2016
<b>Debt-to-asset ratio</b> (Total liabilities/Total assets)	57.91%	54.57%
<b>Net borrowings-to-equity ratio</b> ((Total borrowings – cash and cash equivalents)/Total equity)	97.53%	59.12%
	2017	2016
<b>Interest covered multiple</b> ((Profit before tax + interest expenses)/Interest expenses)	3.60	3.56
<b>EBITDA interest multiple</b> (Earnings before interests, tax, depreciation and amortisation/Interest expenses)	5.57	5.52

### 4. Liquidity and Cash Management

During the Reporting Period, short-term borrowings of the Group increased by RMB2.5 billion, representing 36.99% of the current liabilities. A large amount of cash was required for the equity investments and dividend distribution of the Group during the period, and the aggregate of both resulted in a decrease in net current assets of the Group at the end of the Reporting Period as compared with that at the end of last year. In view of the financial position and capital requirement of the Company, the Group will prevent liquidity risk by strengthening the capital planning and arrangement for subsidiaries and major projects, replacing short-term borrowings with long-term financing in due course and maintaining appropriate cash on hand and sufficient banking facilities.

During the Reporting Period, the Company used idle funds to purchase principal-guaranteed RMB wealth management products from cooperative banks on the condition that both safety and liquidity of capital reserve can be assured. As at the end of the Reporting Period, cash used in wealth management has been retrieved, and no deposit was placed in non-bank financial institutions or applied to investment in securities.

Unit: Million Currency: RMB

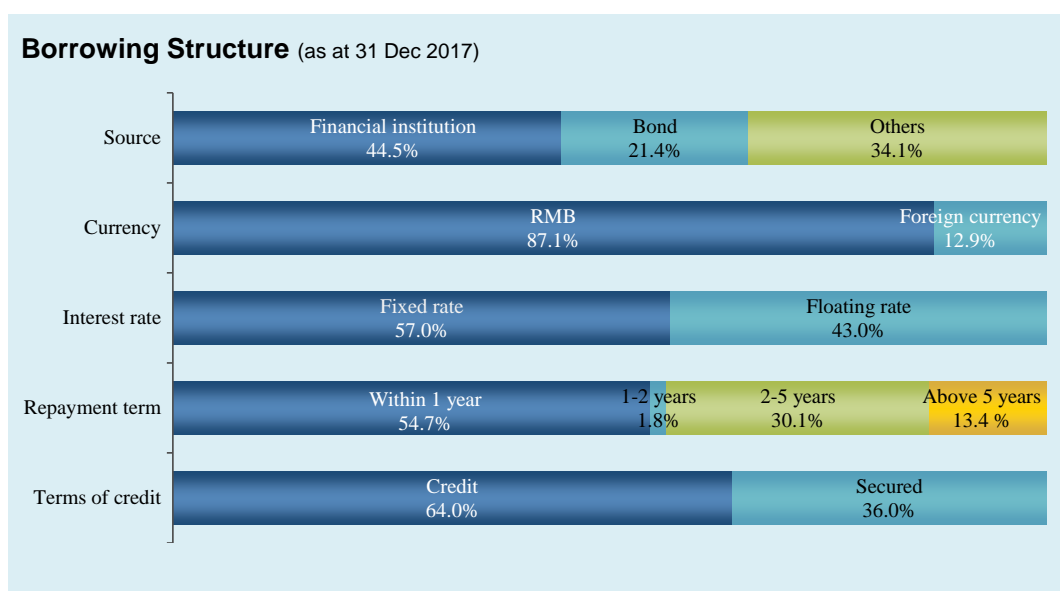
	31 December 2017	31 December 2016	Change
Net current assets	-2,869	3,215	-6,085
Cash and cash equivalents	1,687	4,244	-2,557
Banking facilities available	13,524	13,114	410

## 5. Financial Strategies and Financing Arrangements

During the Reporting Period, domestic financial credit tightened and the funds price rose sharply. The Group further strengthened the overall management of funds, raised funds for business development through multiple channels and in the meantime made reserve of financial resources to maintain the flexibility of its financial structure. During the Reporting Period, the Group withdrew syndicated loans for the construction of engineering projects, fulfilled the requirements of investment and mergers and acquisitions through self-owned funds and mergers and acquisitions loan etc. and arranged working capital loans which were used for operation turnover and repayment of due debts etc. In addition, after the approval by the Board, the Group planned to launch an investment and acquisition fund of no more than RMB5 billion. During the Reporting Period, the Group obtained the registered amount of RMB3 billion of its medium-term notes. The RMB2.2 billion A Shares Convertible Bonds was approved by the general meeting and it was scheduled to be submitted to CSRC for approval in 2018.

The Group's composite borrowing costs for the Reporting Period amounted to 4.68% (2016: 4.97%), which was 0.29 percentage point lower than that in 2016. During the Reporting Period, the Group did not have any overdue principal and interests for bank loans and bonds.

As at the end of the Reporting Period, the specific borrowing structure is shown as follows:



During the Reporting Period, the Company continued to maintain the highest credit rating of AAA for domestic entities, and maintained the existing investment grade ratings for international entities. As for credit ratings of debt, corporate bonds and medium-term notes remained at the highest credit rating of AAA.

As at 31 December 2017, the Group had obtained a total of RMB23 billion of banking facilities, including RMB12.4 billion of credit facilities specifically for construction projects and RMB10.6 billion of general credit facilities. As at the end of the Reporting Period, unutilised banking facilities amounted to RMB13.8 billion.

## 6. Contingencies

Details of the Group's contingencies during the Reporting Period are set out in note XI(2) to the Financial Statements in this announcement.

## (IV) Analysis of the Investment

### 1. General Analysis on External Investments

#### (1) Material equity investments

During the Reporting Period, the total equity investment of the Group amounted to approximately RMB7,222 million (2016: RMB2,452 million), representing a YOY increase of RMB4,770 million, mainly due to the acquisition of equity interests in Derun Environment, Yichang Company and Coastal Company. For details, please refer to the content in “Business Review” above. The details of material equity investments in 2017 are as follows:

Unit: '000 Currency: RMB

Name of investee companies	Major business	Shareholding	Investment Amount in 2017	Description
Derun Environment	Mainly engaged in renewable resources recovery and utilisation, remediation management of environmental pollution and repairing management of polluted soil, including investment, development and management of waste disposal and incineration power generation projects, research and development, and manufacture of special equipment and instruments to prevent environmental pollution.	20%	4,408,645	During the Reporting Period, Environmental Company, a subsidiary of the Company, acquired 20% equity interests in Derun Environment at a consideration price of RMB4,408 million. At the end of May 2017, relevant equity transfer procedures have been completed.
Coastal Company	Construction, operation and management of Coastal Project.	100%	1,472,000	During the Reporting Period, the Company acquired 100% equity interests in Coastal Company at a consideration price of RMB1,472 million. As at 31 December 2017, relevant transfer procedures were not completed.
Yichang Company	Operation and management of the expressway from Yiyang to Changde during the period authorised by the Hunan Provincial People’s Government; sales of highway construction, maintenance facilities, equipment and materials; investment in road construction and road maintenance.	100%	1,270,000	During the Reporting Period, the Company acquired 100% equity interests in Yichang Company at a consideration price of RMB1,270 million. Relevant equity transfer procedures have been completed during the Reporting Period.
Water Planning Company	Scientific research, consultation, surveying, measurement and design of water, municipal, construction and landscape planning projects; water construction quality inspection; research on hydrological and water resources, pollution control facilities operation services; surveying and design of geological disaster management; and general contracting, project management and related technical and management services of construction projects.	15%	61,890	On 13 July 2017, the Company jointly signed the Capital Injection Agreement for Enterprises with SIHCL, Water Planning Company and other new shareholders to subscribe for additional registered capital of RMB6 million in Water Planning Company with total investment of RMB61.89 million. During the Reporting Period, relevant trading procedures have been completed.

#### (2) Material non-equity investments

During the Reporting Period, the expenditures of the Group on material non-equity investments mainly comprised the settlements of projects such as upgrade of Qinglian Class I Highway to an expressway, reconstruction and expansion for Meiguan Expressway and Outer Ring Project, the investment in road properties and mechanical and electrical facilities of the highway sections operated by subsidiaries, and capital expenditures of the subsidiaries, totalling approximately RMB960 million. The investments in major projects are as follows:

Unit: '000 Currency: RMB

Project name	Project amount	Project progress	Amount invested during the Reporting Period	Actual accumulated amount invested	Gains from the project
Qinglian Project	6,125,390	100%	9,610	6,086,840	For details of the operational performance of projects (except for Outer Ring Project which is at the beginning stage of construction) during the Reporting Period, please refer to the Analysis of Main Business as set out above.
Nanguang Expressway	3,149,320	99%	1,246	3,078,920	
Reconstruction and expansion for Meiguan Expressway	696,302	100%	15,910	657,672	
Outer Ring Project	6,500,000	32%	877,029	1,237,979	
Total	/	/	903,795	11,061,411	/

### (3) Material assets measured at fair value

Unit: '000 Currency: RMB

Item name	Opening balance	Closing balance	Change during the period	Impact on total profit of the Reporting Period
Financial assets at fair value through profit or loss	74,991	0	-74,991	-74,991

### (V) Analysis of Major Controlling Companies and Participating Companies

Unit: '000 Currency: RMB

Company name	Percentage of interests held by the Group	Registered capital	31 December 2017		2017			Principal business
			Total assets	Net assets	Revenue	Operating profit	Net profit/(Net loss)	
Meiguan Company	100%	332,400	405,838	526,221	136,909	5,321	3,617	Construction, operation and management of Meiguan Expressway.
Jihe East Company	100%	440,000	1,750,910	1,487,478	718,122	440,938	325,860	Construction, operation and management of Jihe East.
Mei Wah Company	100%	HK\$ 795,381	1,915,458	1,333,004	370,553	174,860	137,209	Indirectly holding 25% interests in Qinglian Company, 10% interests in Qinglong Company and 55% interests in Magerk Company.
Qinglian Company	76.37%	3,361,000	7,388,823	2,636,294	741,990	99,193	73,589	Construction, operation and management of Qinglian Expressway and related auxiliary facilities.
JEL Company (consolidating Magerk Company)	100%	US\$ 28,000	772,883	671,950	370,553	141,376	105,964	JEL Company: investment holding (holding interests in Magerk Company); Magerk Company: toll collection and management of Wuhuang Expressway.
Qinglong Company	50%	324,000	4,014,054	2,279,796	651,010	172,674	132,222	Development, construction, toll collection and management of Shuiguan Expressway.
Investment Company	100%	400,000	1,471,280	798,503	330,509	44,289	18,953	Investment in industries and project construction.
Guishen Company (consolidating Guizhou Property)	70%	500,000	1,353,625	746,973	317,439	52,890	39,637	Guishen Company: Investment, construction and management of road and urban and rural infrastructure. Guizhou Property: the real estate development in Longli County, Guizhou
United Land Company	49%	5,000,000	5,192,468	4,990,111	-	-403	-713	As the reporting entity and legal person for the Meilin Checkpoint Renewal Project, it is responsible for acquiring the land, demolition and relocation and other works in respect of the Meilin Checkpoint Renewal Project.
Yichang Company	100%	345,000	3,173,506	1,326,643	228,392	75,290	56,643	Construction, operation and management of Yichang Expressway.

Company name	Percentage of interests held by the Group	Registered capital	31 December 2017		2017			Principal business
			Total assets	Net assets	Revenue	Operating profit	Net profit/(Net loss)	
Environmental Company	100%	4,460,000	4,567,487	4,558,941	-	110,129	110,129	Investment and launching of projects of environmental protection industry as well as investment, construction, operation and management of municipal public works and environmental management engineering. The major asset is 20%
Derun Environment	20%	1,000,000	31,105,186	19,494,655	4,987,708	2,159,376	1,469,353	The principal business of Derun Environment is investment holding. The major assets are 50.04% and 57.12% equity interests held in Chongqing Water Group Company Limited and San Feng Environment Industry Group Company Limited.

The data of revenue and net profit of Yichang Company and Derun Environment in 2017 was achieved after the completion of acquisition of relevant equity interest by the Company this year. For details of the operational and financial performance of the above major controlling companies and participating companies and their businesses during the Reporting Period, please refer to related contents in “Business Review” above.

## (VI) Proposed Profit Distribution

The Company’s 2017 audited consolidated net profit and the net profit of the parent company in accordance with CASBE were RMB 1,426,402,801.01 and RMB1,074,064,910.82 respectively. Pursuant to the relevant PRC laws and regulations and the Articles of Association, the Company transferred RMB 107,406,491.08 to its statutory surplus reserve for the year of 2017 and the Board recommended the payment of a final dividend of RMB 0.30(tax included) per share in cash to all shareholders, totalling RMB 654,231,097.80for the year ended 31 December 2017, representing 45.9% of the net profit as shown in the consolidated financial statements for the year of 2017. The balance after distribution shall be carried forward to the next year. No conversion of capital reserve into share capital has been carried out during the year. The aforesaid proposal will be submitted for approval at the 2017 Annual General Meeting of the Company.

### 1. Formulation, Implementation or Adjustment of Cash Dividend Distribution

The Company has always adhered to the principle of rewarding its shareholders and has been paying cash dividends for 20 consecutive years since its listing.

Pursuant to the Articles of Association, the Company shall implement a proactive cash dividend policy with the principle of attaching great importance to reasonable return on shareholders’ investment while satisfying the needs of sustainable operation and development of the Company. The Articles of Association has a clear standard on dividend distribution and the minimum proportion of annual dividend, and has formulated sound decision-making procedures and mechanisms. Any modification by the Company to the profit distribution policy or failure in formulating/ implementing the profit distribution proposal in accordance with the policy shall be subject to consideration at the general meeting as a special resolution. In addition, Proposal on Shareholders’ Return for the Next Three Years (2017-2019) of the Company (“Shareholders’ Return Proposal”) has been approved by the general meeting in 2017. The Company will endeavor to increase its cash dividend ratio in the next three years (2017-2019). When the financial and cash position are good and there is no significant investment plan or cash expenditure, the Company intends to allocate not less than 45% of the distributable profits realised during the year as cash dividend every year.

The 2017 profit distribution proposal (including the cash dividend proposal) formulated by the Company was in compliance with the relevant requirement of the Articles of Association and



Shareholders' Return Proposal. In the course of formulating and determining the proposal, the Independent Directors have issued an independent opinion after careful study and analysis of relevant factors, and the Company is also able to listen to the opinions of the Independent Directors and the shareholders from various channels, and give regard to the requests and legal interests of the minority investors.

## 2. Proposal of Profit Distribution and Conversion of Capital Reserve into Share Capital of the Company in the Past Three Years

Unit: '0 Currency: RMB

Year of dividend distribution	Number of bonus issue (share) for every 10 shares	Dividend (RMB) for every 10 shares (including tax)	Total number of share (share) for conversion of capital reserve into share capital for every 10 shares	Total cash dividend (including tax)	Net profit in combined statements in the year of dividend distribution	Percentage (%) of dividend distributed to net profit in combined statements
2017(Proposed)	0	3.00	0	654,231,097.80	1,426,402,801.01	45.9%
2016	0	2.20	0	479,769,471.72	1,169,353,230.77	41.0%
2015	0	3.40	0	741,461,910.84	1,552,656,397.24	47.8%

### 4.3 Outlook and Plans

#### (I) Industry Competition Landscape and Development Trend

We are of the view that against the backdrop of long-term stable development of the national economy and continuous growth of demand for transport infrastructure by the society, the toll highway industry will still enjoy great room for development. However, under the traditional BOT ("built-operate-transfer") model, along with the construction cost, especially land acquisition and demolition cost and operation cost, there is decreasing number of project with commercial investment values among the new construction projects. The Group will adopt various strategies to adapt to such development environment in the industry: Firstly, the Group will fully leverage the Company's core competitiveness in terms of innovative business model to duly negotiate with local governments so as to study and explore cooperation model that can satisfy the requirement of the transportation planning of the government and provide satisfactory commercial returns to enterprises at the same time. Secondly, the Group will actively cooperate with financial investors to combine their industry experience with sources of capital so as to achieve industry-finance integration and seek business opportunities in aspects such as project cooperation and equity transfer. Thirdly, the Group will fully leverage the industry experience of the Company to cooperate with local governments or other business partners so as to make the best use of its strengths and bypass its weaknesses to develop the relevant upstream and downstream industry such as construction management, operation management, as well as design and construction of urban transport infrastructure.

According to the agreement entered into between the Company and Shenzhen Transport Commission, Shenzhen Transport Commission shall be entitled to early reclaim the toll collection rights for the Three Projects, namely Nanguang Expressway, Yanpai Expressway and Yanba Expressway, in 2018 at its option. If Shenzhen Transport Commission opt to early reclaim the toll collection rights of the above Three Projects, the Company will recognise the one-off gains from disposals of assets and reduce the equity mileage of toll highways by approximately 76km as well as the revenue and profit in respect of the Three Projects in the future year of the Three Projects .

According to information announced, Shenzhong Expressway connecting Shenzhen and Zhongshan is under construction and is expected to commence operation in 2024. Both Shenzhong Expressway and Coastal Expressway will be connected to Jihe Expressway in the future, which will result in improvement of the road network and thus help to improve the operational performance of Jihe Expressway. However, it will also bring greater pressure on the capacity and operational

management of Jihe Expressway. In this respect, the Group has commenced the preliminary work in relation to the reconstruction and expansion of Jihe Expressway and will determine the implementation proposal of the reconstruction and expansion as well as the investment model based on the research results of the preliminary work.

## **(II) Development Strategies of the Company**

Based on the in-depth study of the changes in the development of both internal and external environment, the fourth meeting of the seventh session of the Board of the Company in June 2015 approved the “2015-2019 Development Strategies” of the Company. The Company will “pursue a market-oriented and innovation-driven strategy. It will continue to seize the opportunities of this era to consolidate and strengthen the core business of toll highway and actively explore and determine the new direction of the industry so as to achieve the sustainable development of the Company”. In view of the domestic transport infrastructure and comprehensive urban exploitation, the promising development prospect and immense business opportunities for the development of the further environmental protection industry as well as the compatibility of the business model and core competitiveness, the Company has basically decided the development directions of placing emphasis on and implementing new projects for the above two industries. In this connection, the Company will actively explore and put into practice the transformation and development of the Company’s business to ensure stable and sustainable development of its business operation.

## **(III) Operation Plans**

In 2018, the working goals and focuses for the Group are as follows:

- ☞ **Operating Targets:** Based on the reasonable analysis and expectation on our operating environment and operating conditions, the Group has set a total revenue target for 2018 of not less than RMB5.7billion, with the total of operating costs, management expenses and selling expenses (excluding depreciation and amortisation) of approximately RMB1.7billion. In 2018, it is expected that the average borrowing scale (including the compensation received in advance from Shenzhen government regarding the toll adjustment of Three Expressways) and the financial cost of the Group will increase to some extent on a YOY basis.
- ☞ **Toll Highway Business:** In response to the development trend of informatisation and big data, the Group will further enhance users experience by introducing innovative intelligent transportation. It will also strengthen the cooperation with domestic first-class professional organisations, construction companies and academic institutions so as to establish its key projects, such as Outer Ring Expressway, as exemplar and paragon of Shenzhen Expressway in the area of highway construction, management and maintenance. Moreover, the Group will proactively explore opportunities for mergers and restructuring, invest in potential toll road and bridge projects and continue to upgrade its core business of toll highway.
- ☞ **Environmental Protection Business:** The Group will step up its efforts in innovating the mechanism and system for its core business of environmental protection, at the same time enhancing the communication and cooperation with Water Planning Company, Derun Environment and their shareholders in a view to commencing in-depth cooperation for new projects. In addition, while following up on environmental protection projects that have achieved preliminary progress, the Group will also conduct in-depth study on new projects and proactively seek opportunities for mergers and acquisitions in sub-sectors.
- ☞ **Business Expansion:** As a strategic positioning of “Construction and Operation Service Provider of Urban and Transport Infrastructure”, Shenzhen Expressway has proactively pushed ahead with the existing projects in Shenzhen-Shanwei Special Cooperation Zone and Longli County, Guizhou. Besides, it will further explore and look for new projects to promote the vertical and horizontal expansion of the developed areas. In addition to pushing forward the work in relation to the development of Meilin Checkpoint Urban Renewal Project, the Group will also strengthen the preliminary work in respect of the reconstruction and expansion of Jihe Expressway. More efforts will be made in the research, reserves, selection and examination of new projects that are in line with the Company’s development strategies and risk monitoring and management will be conducted on an on-going basis.

**Financing and Financial Management:** The Group will enhance the management over capital planning and strengthen the analysis on financial risks monitoring. It will cope with the changes in the financial policy and market environment in a proactive manner and integrate the Group financial resources to ensure financial security. Moreover, the Group will ensure proper filing of the documents in relation to the issuance of A Shares Convertible Corporate Bonds while continuing to strengthen the cooperation with banks and other enterprises in a view to maintaining its credit ratings and securing smooth financing channels. It will also formulate solutions to improve debt structure and capital structure and select a financing model that will be suitable for the Company's development strategy and to provide support for the development strategy of the Group.

#### (IV) Capital Expenditure Plan

As at the approval date of this report, the Group's capital expenditure plan mainly comprised investment in Outer Ring Project, construction settlements of projects such as reconstruction and expansion of Meiguan Expressway and investment in road properties and mechanical and electrical equipment of the highway sections operated by subsidiaries. It is expected that the Group's total capital expenditure will amount to approximately RMB5.9billion by the end of 2020. The Group plans to satisfy such capital needs with its own capital and bank borrowings. According to the Directors' assessment, the Group's financial resources and financing capability are currently sufficient for satisfying the needs of various capital expenditures. The capital expenditure plan of the Group from 2018 to 2020 is as follows:

Unit: RMB'000 Currency: RMB

Project	2018	2019	2020	Total
1. Outer Ring Project	1,283,612	2,051,622	1,396,696	4,731,930
2. Nanguang Project	11,065	56,910	2,340	70,315
3. Qinglian Project	28,466	1,030	500	29,996
4. Reconstruction and expansion of Meiguan Expressway	37,426	1,200	-	38,626
5. Coastal Phase II	17,391	300,000	400,000	717,391
6. Others	308,259	-	-	308,259
<b>Total</b>	<b>1,686,219</b>	<b>2,410,762</b>	<b>1,799,536</b>	<b>5,876,517</b>

#### (V) Risk Management

Through active identification, assessment and response to risk issues occurred in the operation, the Company applied risk management to all segments of the Company, including corporate strategies, planning, decision-making and operations. For details of the establishment and operation of the Company's risk management system, please refer to "Internal Control" section in this annual report. Currently, the Company focuses on internal and external risk issues in respect of policy, market, business expansion, and construction management.

##### 1. Policy Risk

###### *Risk position / analysis:*

The policy risks faced by the Company primarily include the risks in relation to toll policy and monetary policy.

The operational performance of the toll highway will be affected by various management measures and traffic arrangements launched by the local government. For example, the policies in relation to the restriction on purchase of automobile, restriction on the use of vehicles and offering of discount for vehicles that meet certain standards may bring certain negative impact on the current traffic volume and future traffic growth of regional road networks.

The government has, for several times, clearly stated its attitude towards deleveraging and curbing bubble. It is anticipated that the supply of capital will be tightened and capital cost will increase. In addition, the Group will have to raise funds for satisfying the construction costs of Outer Ring Project, Coastal Phase II, Duohua Bridge and others in the next few years, therefore will enter the peak period of capital expenditures. In the event that the extent of tightening of monetary policy in the future is greater than expected, the Group may be subject to the risk of increase in capital cost.

*Management / response measures:*

In general, the local government introduces traffic management policies and traffic arrangements to fulfil traffic management functions and ensure smooth traffic in the road network. The Group will actively communicate and interact with the local government, at the same time strengthen the operation and management of the respective roads to effectively improve the efficiency of the road network, and actively work with the government's policies and measures to achieve win-win outcomes for the government, enterprises, drivers and passengers.

The Group's excellent capital management capability is one of its major core advantages. On one hand, the Group's good market reputation in the bank borrowing market and bond issuance market has provided it with smooth fund raising channels. On the other hand, the Group is capable of making forward-looking planning and arrangement for future capital requirements. The Company has commenced the preparatory work for the issuance of A Shares Convertible Bonds in the amount of RMB2.2 billion. Such issuance has been approved by the general meeting and it is expected that the declaration documents for the issuance will be submitted to the CSRC recently.

## **2. Market Risks**

*Risk position / analysis:*

According to the agreement entered into between the Company and the Shenzhen Government, the Company will implement the toll-free policy for Nanguang Expressway, Yanpai Expressway and Yanba Expressway while Shenzhen Government will make compensation to the Company. The adjustment to the aforesaid roads will be implemented in two phases: In Phase 1, which ends in 31 December 2018, the Company will retain the entitlement rights to the roads and the Shenzhen Government will purchase traffic services; in Phase 2, the Shenzhen Government may choose to purchase services continuously or early reclaim interests in the roads by making compensations accordingly. If Shenzhen Government opts to pay to early reclaim the interests in the roads during Phase 2, the Company will increase the one-off gains from disposals of assets and reduce tolls income, profits and cash flow from operation in the future periods accordingly. With strengthening finance of the local government and development of local economy to a certain extent, one cannot eliminate the possibility that local government and the Group would enter into arrangements for toll adjustments in respect of other roads invested and operated by the Group.

*Management / response measures:*

The Group and Shenzhen Government, complying with market principles, reached a consensus on toll adjustment of Nanguang Expressway, Yanpai Expressway and Yanba Expressway on the basis of mutual negotiation. It is fair and reasonable for the Company no matter which option Shenzhen Government chooses during Phase 2. Facing a new operation and policy environment, the Company on one hand maintains active communication with competent government authorities to jointly explore new industry development model to boost the balanced and sustainable development of the Company, and on the other hand chooses different business models and methods to effectively control and manage risks while gaining reasonable income and return, leveraging the experience and skills accumulated in the industry. As for the development of core businesses, the Company will continue to push forward the development of its toll highway business and at the same time further expand the development of this core business in the four areas of investment, construction, operation and maintenance, fostering the capital advantages and management abilities to drive the growth of

its core business.

### **3. Business Expansion Risks**

#### *Risk position / analysis:*

The Group chose the environmental protection industry as its second core business. The environmental protection business is different from the toll highway business. The Group still has inadequacies with respect to technical experience and talent cultivation at present stage. If the Group fail to promptly accumulate experience in relation to the environmental protection industry and nurture sufficient talents in the near future, it may not be able to satisfy the requirements for the development in the environmental protection industry, which will in turn affect the revenue of the environmental protection projects, capital safety, outcomes of business expansion and even the overall performance of the Group.

As the toll highway projects become mature, the needs for expansion started to emerge for some of the projects, such as Jihe Expressway and Yangmao Expressway, a joint-stock project. Similar to the construction of new expressway, the reconstruction and expansion of the existing projects are also subject to the increase in land acquisition and demolition cost as well as construction costs. Under normal circumstances, the tolling period can be extended as appropriate if the reconstruction and expansion were carried out for the purpose of improving the traffic capacity. The reconstruction and expansion of the existing projects are subject to material risk, that is, whether the enhancement of traffic capacity through reconstruction and expansion and the increase in revenue through the extension of tolling period will be able to cover the investment made for reconstruction and expansion and whether it will be able to bring reasonable investment return.

#### *Management / response measures:*

Before entering into the environmental protection industry, the Group has conducted a comprehensive and objective analysis on its own advantages and the external environment, through which it has gained an understanding of its own strengths and weaknesses and therefore chose to implement the strategy of cooperating with the leaders in the sub-sectors. This would not only enable it to learn from the industry benchmark, but would also give full play to their respective advantages and achieve synergy by taking the existing projects as platforms for in-depth cooperation. In addition, on the basis of strengthening its teambuilding initiatives, the Group will employ professionals to join its management team and engage professional organisation as management adviser to consolidate quality resources in the industry.

The Group has accumulated experience in evaluating the value of toll highway projects over the years and it is confident that it can implement the investment decision of reconstruction and expansion for various projects smoothly. Besides, the Group can also fully demonstrate its capability to innovate business models while studying and negotiating with government departments and potential financial investors for reasonable project investment and financing proposals with a view to satisfying the needs for social development and commercial return and finally achieving a win-win situation for the public, government and enterprises.

### **4. Construction and Management Risks**

#### *Risk position / analysis:*

Due to fluctuations of building materials price, rising standard and increased difficulty of land acquisition and demolition, change of design, new policy and technical regulations promulgated by the government and the development plan adjusted by the government, the Company's projects in progress may face the risks of rising costs and delayed delivery. In 2018, the Group's main construction projects will include Section A of Outer Ring, Coastal Phase II, Duohua Bridge and Shenzhen-Shanwei Special Cooperation Zone. The total construction scale in the next few years will exceed RMB 25billion. The long construction period and wide regional span make these projects

prone to delay and rising cost. As the project construction enters into peak period, the efforts required to ensure project quality and safety management increase, objectively giving rise to quality and safety risks.

***Management/response measures:***

The Group specifies the adjustment methods of material spreads and material price in construction contracts, which can effectively reduce or transfer building material price fluctuation risks through the terms of the contract. Generally, the risk in relation to costs and construction period of land acquisition and demolition will be specified in the contracts with the government and the Group will enhance the communication with the government during the process. The Group has established a sound management system for change of construction projects. For changes of construction projects due to various reasons, authority and responsibility will be allocated on an equal basis and specified in the business contracts. During the construction process, the construction company of each project will, according to the characteristics and management requirements of each construction projects, carefully sort out project priorities and difficulties, rationally optimise the construction design, and enhance and improve the measurement and payment control measures so as to achieve dynamic cost control and management objectives.

In terms of quality and safety management, the Company strictly implements the management procedures to strengthen the supervision of on-site materials, test management, standardisation of production operations and safety management, and provides relevant training and makes contingency plans to ensure the realisation of management objectives.

## **V. Matters Related to Financial Statements**

### **5.1 Changes in Accounting Policies and Accounting Estimates During the Reporting Period**

#### ***Changes in Accounting Policies***

The Ministry of Finance of the PRC (the “Ministry of Finance”) has successively issued/revised the Accounting Standards for Business Enterprises No. 42—Non-Current Assets and Disposal Groups Held for Sale and Termination of Business Operation and Accounting Standards for Enterprises No. 16 – Government Grants in 2017 which require execution within the scope of all enterprises that implement the Accounting Standard for Business Enterprises from 28 May 2017 and 12 June 2017 respectively. The Ministry of Finance also issued the Notice of Ministry of Finance on Revising the Format of Issuing General Enterprises Financial Statements (Caihui [2017] No.30) (the “Format Notice”) which requires that the non-financial enterprises which implement the Accounting Standards for Business Enterprises shall prepare the financial statements for 2017 and subsequent periods in accordance with the Accounting Standards for Business Enterprises and the Format Notice. The Company has adopted the above new accounting standards and made corresponding changes in accounting policies when preparing the Group’s 2017 annual financial statements. The changes in these accounting policies basically have no impact on the financial status and operating results of the Group in 2017 and 2016.

In addition, the Ministry of Finance has also successively amended five criteria such as the Accounting Standards for Business Enterprises No. 14, 22, 23, 24 and 37 in 2017 (the latter four Standards are referred to as “the New Financial Instrument Standards” ). In accordance with the requirements of these accounting standards, the Company as an A+H shares listed company, will adopt the five newly revised accounting standards and change the relevant accounting policies from 1 January 2018. After evaluation, the adoption of Accounting Standards for Business Enterprises No. 14 is expected to have no significant impact on the recognition of the Group’s existing contract revenue. The adoption of the New Financial Instrument Standards will mainly involve the reclassification and measurement of financial assets. Based on the assessment of the Group, the Group does not expect the adoption of the New Financial Instrument Standards to have a material impact on the classification and measurement of other financial assets, except that financial assets

currently classified by the Group as available-for-sale financial assets will be reclassified as financial assets at fair value through current profit or loss or financial assets at fair value through other comprehensive income. The Group is in the process of assessing the impact of the fair value of such investments and the aforesaid changes in the consolidated financial statement. In addition, based on the assessment of the Group, the adoption of the New Financial Instrument Standards will not have any material impact on the bad debt provisions for the Group's trade receivable.

For details of the reasons for the above policy changes and their impact, please refer to Note III\29 to the Financial Statements in this announcement.

## **5.2 Accounting Errors Occurred during the Reporting Period**

There is no correction of accounting errors by the Company occurred during the Reporting Period.

## **5.3 Changes in the Scope of Consolidated Financial Statements during the Reporting Period**

In 2017, the changes in the scope of the consolidated financial statements of the Group is as follows:

- 1) During the reporting period, the Company has completed acquisition of 100% equity of Yichang Company. From 15 June 2017, Yichang Company has been consolidated into the financial statements of the Group.
- 2) The Company held 51% of the equity interest in Shenchang Company. During the Reporting Period, according to the amended articles of association of Shenchang Company which was approved at its shareholders 'meeting held on 1 April 2017, the Company obtained control over Shenchang Company, thus it transformed from a joint venture of the Company to the subsidiary of the Company. From 1 April 2017, Shenchang Company has been consolidated into the financial statements of the Group.
- 3) Shenzhen Expressway Finance I Limited was dissolved on 25 May 2017, in view of the fact that the Group had no plans for overseas financing by BVI as a platform and cost savings in the next few years. Therefore, since 25 May 2017, the Group has no longer incorporated Shenzhen Expressway Finance I Limited into the scope of consolidation.
- 4) 18 May 2017, the Company and its wholly-owned subsidiary, Guizhou Property, established Guizhou Yehengda Company Limited, which issued capital RMB1,000,000 and has been consolidated into the financial statements of the Group during the Reporting Period.
- 5) 26 June 2017, the Company and its wholly-owned subsidiary, Jihe East Company, jointly established Construction Company, which is wholly-owned by the Company (both directly and indirectly) and has been consolidated into the financial statements of the Group during the Reporting Period.
- 6) 8 November 2017, the Company and its wholly-owned subsidiary, jointly established Shenshan Company, which is wholly-owned by the Company (both directly and indirectly) and has been consolidated into the financial statements of the Group during the Reporting Period.
- 7) 28 December 2017, the Company established Industrial Fund Management Company, in which the Company directly holds 100% equity interest and has been consolidated into the financial statements of the Group during the Reporting Period.

For further details of the changes in the scope of consolidation please refer to the note VI to the Financial Statements in this announcement.

#### **5.4 The Consolidated Financial Statements and Notes for the Year 2017 of the Company are set out in the Appendix to this Results Preliminary Announcement.**

#### **5.5 Results Review**

The audit committee of the Company has reviewed and confirmed the financial statements and the annual report of the Company for the year 2017.

#### **5.6 Auditors' Procedures Performed on This Results Preliminary Announcement**

The figures in the 2017 Annual Results Preliminary Announcement have been agreed by the Company's auditors, Ernst & Young Hua Ming LLP ("Ernst & Young Hua Ming"), to the amounts set out in the Company's audited consolidated financial statements for the year 2017. The work performed by Ernst & Young Hua Ming in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young Hua Ming on this results preliminary announcement.

### **VI. Other Matters**

#### **6.1 Purchase, Sale or Redemption of Securities**

During the Reporting Period, no listed securities of the Company were purchased, sold or redeemed by the Company, any of its subsidiaries or any of its joint ventures.

#### **6.2 Compliance with the Corporate Governance Code**

During the Reporting Period, the Company has fully adopted all the code provisions of the "Corporate Governance Code" as set out in Appendix 14 of the Listing Rules and there is no material deviation or breach of the code provisions occurred.

#### **6.3 Compliance with the Model Code**

The "Securities Transaction Code" of the Company has been adopted by the Board in accordance with Appendix 10 to the Listing Rules, as written guidelines to regulate dealings in the Company's securities by the Directors, Supervisors and relevant staff. The "Securities Transaction Code" of the Company has incorporated the standards as set out in Appendix 10 to the Listing Rules, and gone beyond such standards to certain extents. After making specific enquiry to all the Directors, Supervisors and senior management, the Company confirms that all the Directors, Supervisors and senior management had complied with the standards for securities transactions as stipulated under the aforesaid code during the Reporting Period.

### **VII. Definitions**

<i>Company</i>	Shenzhen Expressway Company Limited
<i>Group</i>	The Company and its consolidated subsidiaries
<i>Year, Reporting Period, Period, 2017(year)</i>	The year ended 31 December 2017
<i>Reporting Date</i>	The date on which Annual Report 2017 of the Company is approved by the Board, i.e. 23 March 2018
<i>YOY</i>	Year-on-year change rate as compared to the same period of 2016



<b>SSE</b>	The Shanghai Stock Exchange
<b>HKEx</b>	The Stock Exchange of Hong Kong Limited
<b>Listing Rules</b>	The Rules Governing the Listing of Securities on HKEx
<b>CASBE</b>	The Accounting Standards for Business Enterprises (2006) of the PRC and the specific accounting standards as well as relevant provisions issued later
<b>Transport Commission</b>	深圳市交通運輸委員會 (The Transport Commission of Shenzhen Municipality)
<b>SZCDGC</b>	深圳市特區建設發展集團有限公司 (Shenzhen SEZ Construction Development Group Co., Ltd.)
<b>Shenzhen International Three Projects</b>	Shenzhen International Holdings Limited Nanguang Expressway, Yanpai Expressway and Yanba Expressway. On November 30, 2015, the Company entered into the Three Expressways Agreement with the Transport Commission
<b>JEL Company</b>	Jade Emperor Limited
<b>Pingan Innovation</b>	深圳市平安創新資本投資有限公司 (Shenzhen Pingan Innovation Capital Investment Company Limited)
<b>Yichang Company</b>	湖南益常高速公路開發有限公司 (Hunan Yichang Expressway Development Company Limited), a limited liability company incorporated in the PRC, the main business is operation and management of Yichang Expressway
<b>SIHCL</b>	深圳市投資控股有限公司 (Shenzhen Investment Holdings Company Limited)
<b>Cargo Organisation Adjustment Project</b>	The entrusted construction project of the highway toll stations and ancillary facilities undertaken by the Company due to the implementation of the freight traffic organization adjustment of Shenzhen
<b>XTC Company</b>	新通產實業開發(深圳)有限公司 (Xin Tong Chan Development (Shenzhen) Company Limited)
<b>SZ International Logistics</b>	Shenzhen International Logistics Development Co., Ltd.
<b>Meiguan Company</b>	Shenzhen Meiguan Expressway Company Limited
<b>Jihe East Company</b>	Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited
<b>Qinglian Company</b>	Guangdong Qinglian Highway Development Company Limited
<b>Magerk Company</b>	Hubei Magerk Expressway Management Private Limited
<b>Outer Ring Company</b>	Shenzhen Outer Ring Expressway Investment Company Limited
<b>Mei Wah Company</b>	Mei Wah Industrial (Hong Kong) Limited
<b>Coastal Company</b>	Shenzhen Guangshen Coastal Expressway Investment Company Limited
<b>Fameluxe Investment</b>	Fameluxe Investment Company Limited
<b>Qinglong Company</b>	Shenzhen Qinglong Expressway Company Limited
<b>Investment Company</b>	Shenzhen Expressway Investment Company Limited
<b>Guishen Company</b>	Guizhou Guishen Investment Development Company Limited
<b>Guizhou Property</b>	Guizhou Shenzhen Expressway Property Company Limited
<b>Guizhou Yehengda</b>	Guizhou Yehengda Property Company Limited
<b>Industrial Fund Management Company</b>	Shenzhen Expressway (Guangzhou) Industrial Investment Fund Management Co. Ltd.

<b>Vanke</b>	China Vanke Co.,Ltd.
<b>ShenShan Company</b>	Shenzhen Expressway Infrastructure and Environmental Protection Development CO.Ltd
<b>Operation Development Company</b>	Shenzhen Expressway Operation Development Company Limited
<b>Advertising Company</b>	Shenzhen Expressway Advertising Company Limited
<b>Environmental Company</b>	Shenzhen Expressway Environmental Company Limited
<b>Construction Company</b>	Shenzhen Expressway Construction Development Company Limited
<b>United Land Company</b>	Shenzhen International United Land Co., Ltd.
<b>Consulting Company</b>	Shenzhen Expressway Engineering Consulting Company Limited
<b>Guangdong UETC</b>	Guangdong United Electronic Toll Collection Inc.
<b>Bank of Guizhou</b>	Guizhou Bank Corporation Limited
<b>Guilong Land</b>	The peripheral land of Guilong Project which were now successfully bid by the Group. The area of the land was approximately 2,490 mu (approximately 1,660,000 square meters), as at the date of this announcement among which the area of them, Guilong Project Parcel No. I is approximately 1,000 mu
<b>Guilong Development Project</b>	The secondary independent property development project conducted by the Group with an area of Guilong Project Parcel No. I, which has been approved by the Board of Directors
<b>Houmen Comprehensive Resettlement Building Project</b>	The management of the construction project of Houmen Comprehensive Resettlement Building of Shenshan Special Cooperation Zone undertaken by the Group
<b>Duohua Bridge</b>	A road construction project from Jichang Village to Duohua Village in Longli County undertaken by Guishen Company and CCCC Second Highway Engineering Co.,Ltd. as a consortium by BT model. The major word of the project is Duohua Bridge
<b>CCCC Second Highway</b>	CCCC Second Highway Engineering Co.,Ltd.
<b>Meilin Checkpoint Urban Renewal Project</b>	Shenzhen Longhua New Area Mingzhi Office Meilin Checkpoint Urban Renewal Project, the entity which carried out the project is United Land Company and area of the land is approximately 96,000 square meters
<b>Water Planning Company</b>	Shenzhen Water Planning & Design Institute Company Limited (深圳市水務規劃設計院有限公司)
<b>Derun Environment</b>	Chongqing Derun Environment Company Limited
<b>Water Asset</b>	Chongqing Water Asset Management Company Limited(重慶市水務資產經營有限公司)
<b>PPP (mode)</b>	Public-Private-Partnership mode, refer to a partnership on the basis of concession agreement for the construction of urban infrastructure projects or the provision of public goods and services between the government and private organizations. PPP mode ultimately makes both parties of the cooperation get more favorable results than those who act alone expected, by signing the contract to define the rights and obligations of both parties, to ensure the smooth completion of cooperation
<b>Green Passage Toll Free Policy</b>	The policy to waive the toll fees for the vehicles used for legal transportation of fresh agricultural products. Since December 2010. Such policy must be implemented in all expressway projects in PRC
<b>Standardisation Scheme</b>	The scheme that toll fees of the expressways in Guangdong Province, starting from 1 June 2012, be standardised based on the unified toll rate, toll coefficient, calculating method for ramps and rounding principles, and include subsequent adjustment made for the increase of the toll fees as a result of the implementation of aforesaid scheme

***Toll Free Scheme on  
Holidays***

The policy that the toll fees of toll highways for passenger cars with seven seats or less be waived during the periods of four national holidays, i.e. Spring Festival, Tomb Sweeping Day, Labor Day and National Day, and their consecutive days off. Such policy has been implemented in PRC since the second half of 2012

***PRC***

The People's Republic of China excluding, for the purpose of this report, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan

***Note:*** For definitions of the relevant highways/projects of the Company, please refer to Company's website at <http://www.sz-expressway.com> under the section of "Company Business".

By Order of the Board

**Hu Wei**

Chairman

Shenzhen, PRC, 23 March 2018

*As at the date of this announcement, the directors of the Company are Mr. HU Wei (Executive Director and Chairman of the Board), Mr. WU Ya De (Executive Director and President), Mr. LIAO Xiang Wen (Executive Director), Ms. GONG Tao Tao (Executive Director), Mr. LIU Ji (Non-executive Director), Ms. CHEN Yan (Non-executive Director), Mr. FAN Zhi Yong (Non-executive Director), Mr. CHEN Yuan Jun (Non-executive Director), Mr. CAI Shu Guang (Independent non-executive Director), Mr. WAN Siu Wah Wilson (Independent non-executive Director), Ms. CHEN Xiao Lu (Independent non-executive Director) and Mr. BAI Hua (Independent non-executive Director).*

*This results preliminary announcement, which has been published on the website of HKEx at <http://www.hkexnews.com.hk>, only gives a summary of the information and particulars contained in the full "Annual Report 2017" of the Company. The "Annual Report 2017" of the Company containing all the information to accompany annual report required under Appendix 16 to the Listing Rules will be subsequently published on the website of HKEx in due course.*

Appendix:

**SHENZHEN EXPRESSWAY COMPANY LIMITED**

**Consolidated Financial Statements (including notes)**

**For the Year ended 31 December 2017**

# Shenzhen Expressway Company Limited

31 December 2017

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Note: The part marked with \* in the notes to the financial statements is the new or more detailed disclosure in compliance with the Hong Kong Companies Ordinance and the Listing Rules of the Hong Kong Stock Exchange.

# Shenzhen Expressway Company Limited

## Consolidated Statement of Financial Position As at 31 December 2017 (All amounts in RMB unless otherwise stated)

Item	Note	31 December 2017	31 December 2016
<b>Current assets</b>			
Cash at banks and on hand	V.1	2,521,265,828.95	5,663,897,840.79
Financial assets measured at fair value through profit or loss	V.2	-	74,991,317.77
Notes receivable		-	2,928,300.00
Accounts receivable	V.3	215,538,498.44	545,051,289.43
Prepayments	V.4	311,903,037.93	245,985,667.13
Interest receivable		2,209,701.24	15,869,806.93
Other receivables	V.5	170,155,612.51	99,297,652.11
Inventories	V.6	599,254,536.06	663,113,521.51
Current portion of non-current assets	V.7	79,908,301.90	124,169,139.84
Other current assets	V.8	39,366,991.50	564,329,427.09
<b>Total current assets</b>		<b>3,939,602,508.53</b>	<b>7,999,633,962.60</b>
<b>Non-current assets</b>			
Long-term prepayments	V.9	326,996,397.88	184,697,778.86
Available-for-sale financial assets	V.10	106,557,169.78	43,490,000.00
Long-term receivables	V.11	258,387,834.82	16,519,232.87
Long-term equity investments	V.12	9,064,252,280.91	4,703,281,506.17
Investment properties	V.13	12,950,725.00	13,526,425.00
Fixed assets	V.14	957,679,976.99	1,027,753,114.01
Construction in progress	V.15	29,162,387.87	13,575,497.81
Intangible assets	V.16	21,153,115,139.80	18,323,851,443.34
Long-term prepaid expenses		5,256,417.00	5,373,382.60
Deferred tax assets	V.17	147,865,704.02	53,142,103.90
Other non-current assets	V.18	1,472,000,000.00	-
<b>Total non-current assets</b>		<b>33,534,224,034.07</b>	<b>24,385,210,484.56</b>
<b>Total assets</b>		<b>37,473,826,542.60</b>	<b>32,384,844,447.16</b>
<b>Current liabilities</b>			
Short-term borrowings	V.20	2,518,256,000.00	-
Financial assets measured at fair value through profit or loss	V.2	71,371,857.30	-
Accounts payable	V.21	348,257,339.46	219,558,035.62
Advances from customers	V.22	485,162,477.60	227,629,755.93
Employee benefits payable	V.23	164,023,319.02	108,837,788.48
Taxes payable	V.24	244,195,673.18	156,192,214.34
Interest payable	V.25	66,673,607.13	100,188,323.21
Other payables	V.26	1,412,456,440.60	2,387,124,807.60
Current portion of non-current liabilities	V.27	1,495,651,998.01	1,582,010,852.14
Deferred revenue	V.31	2,688,148.48	2,646,278.06
<b>Total current liabilities</b>		<b>6,808,736,860.78</b>	<b>4,784,188,055.38</b>
<b>Non-current liabilities</b>			
Long-term borrowings	V.28	4,979,185,469.44	1,783,024,000.00
Bonds payable	V.29	2,732,092,797.02	3,742,863,939.90
Provisions	V.30	136,780,725.09	127,474,173.03
Deferred revenue	V.31	142,969,543.54	158,796,925.07
Deferred tax liabilities	V.17	1,537,614,506.77	1,239,319,854.20
Other non-current liabilities	V.32	5,361,879,999.98	5,837,822,400.00
<b>Total non-current liabilities</b>		<b>14,890,523,041.84</b>	<b>12,889,301,292.20</b>
<b>Total liabilities</b>		<b>21,699,259,902.62</b>	<b>17,673,489,347.58</b>
<b>Owners' equity</b>			
Share capital	V.33	2,180,770,326.00	2,180,770,326.00
Capital surplus	V.34	2,154,994,921.43	2,151,147,518.61
Other comprehensive income	V.35	887,624,170.50	894,501,191.30
Surplus reserve	V.36	2,138,614,923.89	2,031,208,432.81
Undistributed profits	V.37	6,256,075,328.76	5,416,848,490.55
<b>Total equity attributable to owners of the Company</b>		<b>13,618,079,670.58</b>	<b>12,674,475,959.27</b>
Minority interests	VII.1(2)	2,156,486,969.40	2,036,879,140.31
<b>Total owners' equity</b>		<b>15,774,566,639.98</b>	<b>14,711,355,099.58</b>
<b>Total liabilities and owners' equity</b>		<b>37,473,826,542.60</b>	<b>32,384,844,447.16</b>

The attached notes are an integral part of these financial statements.

Legal representative: Hu Wei

Chief Financial Officer: Gong Taotao

Head of accounting department: Zhao Guiping

# Shenzhen Expressway Company Limited

## Company statement of Financial Position

As at 31 December 2017

(All amounts in RMB unless otherwise stated)

Item	Note	31 December 2017	31 December 2016
<b>Current assets</b>			
Cash at banks and on hand		676,471,526.41	2,930,695,804.15
Financial assets measured at fair value through profit or loss		-	74,991,317.77
Accounts receivable	XIV.1	111,130,176.03	463,878,267.64
Prepayments		9,530,649.12	6,962,705.40
Interest receivable		-	15,089,806.93
Other receivables	XIV.2	369,260,529.15	1,542,710,679.60
Inventories		1,552,959.68	1,088,338.44
Other current assets		-	500,000,000.00
<b>Total current assets</b>		<b>1,167,945,840.39</b>	<b>5,535,416,919.93</b>
<b>Non-current assets</b>			
Long-term prepayments		3,329,760.00	3,329,760.00
Available-for-sale financial assets		106,557,169.78	43,490,000.00
Long-term receivables		2,890,825,463.77	3,225,354,145.03
Long-term equity investments	XIV.3	14,468,685,388.32	9,280,473,130.10
Investment properties		12,950,725.00	13,526,425.00
Fixed assets		388,079,131.68	445,238,398.93
Construction in progress		7,434,768.47	4,277,528.44
Intangible assets		3,883,256,173.82	4,113,798,324.87
Long-term prepaid expenses		1,396,847.18	1,820,583.14
Deferred tax assets		61,832,801.24	13,037,034.24
Other non-current assets	V.18	1,472,000,000.00	
<b>Total non-current assets</b>		<b>23,296,348,229.26</b>	<b>17,144,345,329.75</b>
<b>Total assets</b>		<b>24,464,294,069.65</b>	<b>22,679,762,249.68</b>
<b>Current liabilities</b>			
Short-term borrowings		1,570,000,000.00	-
Financial assets measured at fair value through profit or loss		71,371,857.30	-
Accounts payable		20,316,068.70	21,239,839.51
Advances from customers		19,378,599.38	47,179,511.26
Employee benefits payable		87,189,369.23	64,919,960.99
Taxes payable		44,141,456.88	10,579,685.02
Interest payable		63,037,480.69	97,651,044.47
Other payables		1,165,432,327.68	899,008,576.76
Current portion of non-current liabilities		1,400,174,552.51	1,482,810,852.14
<b>Total current liabilities</b>		<b>4,441,041,712.37</b>	<b>2,623,389,470.15</b>
<b>Non-current liabilities</b>			
Long-term borrowings		839,954,545.45	-
Bonds payable		2,732,092,797.02	3,742,863,939.90
Provisions		136,780,725.09	127,474,173.03
Other non-current liabilities		5,361,879,999.98	5,837,822,400.00
<b>Total non-current liabilities</b>		<b>9,070,708,067.54</b>	<b>9,708,160,512.93</b>
<b>Total liabilities</b>		<b>13,511,749,779.91</b>	<b>12,331,549,983.08</b>
<b>Owners' equity</b>			
Share capital	V.33	2,180,770,326.00	2,180,770,326.00
Capital surplus		2,329,774,011.94	2,313,308,096.42
Other comprehensive income	V.12(2)	-6,429,331.48	-
Surplus reserve	V.36	2,138,614,923.89	2,031,208,432.81
Undistributed profits		4,309,814,359.39	3,822,925,411.37
<b>Total owners' equity</b>		<b>10,952,544,289.74</b>	<b>10,348,212,266.60</b>
<b>Total liabilities and owners' equity</b>		<b>24,464,294,069.65</b>	<b>22,679,762,249.68</b>

The attached notes are an integral part of these financial statements.

**Shenzhen Expressway Company Limited**

**Consolidated statement of profit or loss and other comprehensive income**

**Year ended 31 December 2017**

(All amounts in RMB unless otherwise stated)

Item	Note	2017	2016
1.Total revenue		4,836,620,833.89	4,532,209,156.54
Including: Revenue from services	V.38	4,836,620,833.89	4,532,209,156.54
2.Total costs		3,292,113,386.42	3,395,831,380.52
Including: Cost of services	V.38	2,498,642,432.82	2,532,931,316.07
Taxes and surcharges	V.39	38,592,476.14	66,285,170.24
Selling expenses		20,133,559.95	18,637,421.34
General and administrative expenses	V.40	183,667,287.22	138,534,737.61
Financial expenses	V.41	550,627,630.29	639,442,735.26
Impairment loss on assets		450,000.00	-
Add: Gain or loss from changes in fair value	V.42	-146,363,175.07	74,991,317.77
Add: Investment income	V.43	528,851,330.97	433,982,120.65
Including: Share of profit of associates and joint ventures	V.12	489,216,110.92	306,095,527.42
Gains or loss on disposal of assets	V.44	-18,724,750.11	-26,754,328.44
Other income	V.45	168,111.88	-
3.Operating profits		1,908,438,965.14	1,618,596,886.00
Add: Non-operating income	V.46	11,116,016.47	7,235,074.13
Less: Non-operating expenses	V.47	3,910,278.07	3,383,057.39
4.Total profit		1,915,644,703.54	1,622,448,902.74
Less: Income tax expenses	V.49	369,643,354.41	306,027,093.14
5.Net profit		1,546,001,349.13	1,316,421,809.60
(1) Classified by business continuity			
Net profit from continuing operations		1,546,001,349.13	1,316,421,809.60
(2) Classified by ownership			
Net profit attributable to owners of the Company		1,426,402,801.01	1,169,353,230.77
Minority interests	VII.1(2)	119,598,548.12	147,068,578.83
6.Other comprehensive income after tax		-6,877,020.80	895,670.98
Items that may be reclassified subsequently to profit or loss		-6,877,020.80	895,670.98
Including: Foreign exchange gain/loss		-2,051,685.00	895,670.98
Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in the subsequent year	V.12(2)(3)	-4,825,335.80	-
7.Total comprehensive income		1,539,124,328.33	1,317,317,480.58
Total comprehensive income attributable to owners of the company		1,419,525,780.21	1,170,248,901.75
Total comprehensive income attributable to minority interest		119,598,548.12	147,068,578.83
8.Earnings per share			
Basic earnings per share (RMB/share)	V.54(1)	0.654	0.536
Diluted earnings per share (RMB/share)	V.54(1)	0.654	0.536

The attached notes are an integral part of these financial statements.



## Shenzhen Expressway Company Limited

### Company statement of profit or loss and other comprehensive income

Year ended 31 December 2017

(All amounts in RMB unless otherwise stated)

Item	Note	2017	2016
1. Total Revenue	XIV.4	1,462,330,626.71	1,409,261,538.56
Less: Cost of services	XIV.4	553,909,512.10	578,516,502.10
Business tax and surcharges		10,487,638.85	14,135,040.61
General and administrative expenses		138,636,821.69	92,296,287.15
Financial expenses		265,279,474.18	355,957,351.33
Add: Gain or loss from changes in fair value		-146,363,175.07	74,991,317.77
Add: Investment income	XIV.5	810,917,240.70	822,285,665.01
Including: Share of profit of associates and joint ventures		363,258,608.91	312,416,068.38
Gains or loss on disposal of assets		273,101.94	7,079.82
2. Operating profit		1,158,844,347.46	1,265,640,419.97
Add: Non-operating income		6,792,597.14	1,524,603.53
Less: Non-operating expenses		1,291,878.88	1,309,884.08
3. Total profit		1,164,345,065.72	1,265,855,139.42
Less: Income tax expenses		90,280,154.90	112,610,492.49
4. Net profit		1,074,064,910.82	1,153,244,646.93
Net profit from continuing operations		1,074,064,910.82	1,153,244,646.93
5. Other comprehensive income		-6,429,331.48	-
Items that may be reclassified subsequently to profit or loss		-6,429,331.48	-
Share of other comprehensive income from investees accounted for equity method to be reclassified to profit or loss in subsequent year	V.12(2)	-6,429,331.48	-
6. Total comprehensive income		1,067,635,579.34	1,153,244,646.93

The attached notes are an integral part of these financial statements.

**Shenzhen Expressway Company Limited**

**Consolidated Statement of Cash Flows**  
**Year ended 31 December 2017**

(All amounts in RMB unless otherwise stated)

Item	Note	2017	2016
<b>1.Cash flows from operating activities:</b>			
Cash received from rendering services		4,576,210,526.10	4,137,701,400.62
Refund of taxes		-	68,227.54
Cash received relating to other operating activities	V.50(1)	119,788,593.88	129,095,298.18
<b>Sub-total of cash inflows</b>		4,695,999,119.98	4,266,864,926.34
Cash paid for goods and services		406,315,481.80	494,351,383.18
Cash paid to and on behalf of employees		482,896,072.70	543,509,822.50
Payments of taxes and surcharges		682,978,211.15	670,622,177.87
Cash paid relating to other operating activities	V.50(2)	463,103,563.86	431,771,516.34
<b>Sub-total of cash outflows</b>		2,035,293,329.51	2,140,254,899.89
<b>Net cash flows from operating activities</b>		2,660,705,790.47	2,126,610,026.45
<b>2.Cash flows from investing activities</b>			
Cash received from recovery of investments		11,058,312.73	35,795,085.86
Cash received from returns on investments		353,716,940.61	247,659,655.89
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		27,278,045.94	86,977.95
Cash received from disposal of subsidiaries and other business units	V.50(3)	-	45,593,284.91
Cash received relating to other investing activities	V.50(4)	2,013,751,400.41	4,878,006,216.24
<b>Sub-total of cash inflows</b>		2,405,804,699.69	5,207,141,220.85
Cash paid to acquire fixed assets and other long-term assets		934,139,501.27	382,090,574.03
Net cash paid to acquire subsidiaries and other business units	V.50(5)	7,056,775,548.12	1,998,260,000.00
Cash paid relating to other investing activities	V.50(6)	1,406,000,000.00	5,356,300,000.00
<b>Sub-total of cash outflows</b>		9,396,915,049.39	7,736,650,574.03
<b>Net cash flows from investing activities</b>		-6,991,110,349.70	-2,529,509,353.18
<b>3.Cash flows from financing activities</b>			
Cash received from borrowings		5,522,172,705.99	31,000,000.00
Cash received from issuing bonds		-	1,967,439,454.47
<b>Sub-total of cash inflows</b>		5,522,172,705.99	1,998,439,454.47
Cash repayments of borrowings		2,178,538,722.75	2,099,901,764.00
Cash payments for interest expenses and distribution of dividends or profits		1,184,336,066.19	1,303,035,523.34
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		144,600,742.17	234,695,353.43
Cash payments relating to other financing activities	V.50(7)	386,173,342.31	124,942,614.23
<b>Sub-total of cash outflows</b>		3,749,048,131.25	3,527,879,901.57
<b>Net cash flows from financing activities</b>		1,773,124,574.74	-1,529,440,447.10
<b>4.Effect of foreign exchange rate changes on cash</b>		148,741.70	-5,012,626.22
<b>5.Net increase / (decrease) in cash</b>	V.51(2)	-2,557,131,242.79	-1,937,352,400.05
Add: Cash at beginning of year		4,243,639,666.01	6,180,992,066.06
<b>6.Cash at end of year</b>	V.51(2)	1,686,508,423.22	4,243,639,666.01

The attached notes are an integral part of these financial statements.

## Shenzhen Expressway Company Limited

### Company statement of cash flows

Year ended 31 December 2017

(All amounts in RMB unless otherwise stated)

Item	Note	2017	2016
<b>1.Cash flows from operating activities</b>			
Cash received from rendering services		793,802,614.51	902,988,242.98
Cash received relating to other operating activities		1,843,879,283.52	39,162,100.69
<b>Sub-total of cash inflows</b>		2,637,681,898.03	942,150,343.67
Cash paid for goods and services		102,474,067.51	124,402,396.83
Cash paid to and on behalf of employees		226,816,070.43	186,814,895.62
Payments of taxes and surcharges		165,236,430.25	188,498,126.52
Cash paid relating to other operating activities		491,065,857.19	52,078,506.59
<b>Sub-total of cash outflows</b>		985,592,425.38	551,793,925.56
<b>Net cash flows from operating activities</b>		1,652,089,472.65	390,356,418.11
<b>2.Cash flows from investing activities</b>			
Cash received from recovery of investments		50,408,647.38	302,650,360.24
Cash received from returns on investments		402,931,484.62	609,187,807.30
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		273,101.94	-
Cash received relating to other investing activities		3,183,461,161.53	4,606,489,706.86
<b>Sub-total of cash inflows</b>		3,637,074,395.47	5,518,327,874.40
Cash paid to acquire fixed assets and other long-term assets		12,894,986.41	17,388,780.16
Net cash paid to acquire subsidiaries and other business units		6,822,127,800.00	1,978,260,000.00
Cash paid relating to other investing activities		1,401,000,000.00	5,253,654,359.99
<b>Sub-total of cash outflows</b>		8,236,022,786.41	7,249,303,140.15
<b>Net cash flows from investing activities</b>		-4,598,948,390.94	-1,730,975,265.75
<b>3.Cash flows from financing activities</b>			
Cash received from borrowings		3,420,000,000.00	-
Cash received from issuing bonds		-	1,967,439,454.47
<b>Sub-total of cash inflows</b>		3,420,000,000.00	1,967,439,454.47
Cash repayments of borrowings		2,000,000,000.00	1,619,997,000.00
Cash payments for interest expenses and distribution of dividends or profits		717,321,146.78	972,860,228.15
Cash payments relating to other financing activities		14,726,908.69	2,710,740.59
<b>Sub-total of cash outflows</b>		2,732,048,055.47	2,595,567,968.74
<b>Net cash flows from financing activities</b>		687,951,944.53	-628,128,514.27
<b>4.Effect of foreign exchange rate changes on cash</b>		-932,005.64	-6,128,945.58
<b>5.Net increase / (decrease) in cash</b>		-2,259,838,979.40	-1,974,876,307.49
Add: Cash at beginning of year		2,881,566,453.69	4,856,442,761.18
<b>6.Cash at end of year</b>		621,727,474.29	2,881,566,453.69

The attached notes are an integral part of these financial statements.

**Shenzhen Expressway Company Limited**

**Consolidated statement of changes in equity**  
**Year ended 31 December 2017**  
 (All amounts in RMB unless otherwise stated)

Item	31 December 2017							
	Attributable to owners of the Company						Minority interests	Total owners' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Sub total		
1. Ending balance on 31 December 2016	2,180,770,326.00	2,151,147,518.61	894,501,191.30	2,031,208,432.81	5,416,848,490.55	12,674,475,959.27	2,036,879,140.31	14,711,355,099.58
2. Movements during the year ended 31 December 2017	-	3,847,402.82	-6,877,020.80	107,406,491.08	839,226,838.21	943,603,711.31	119,607,829.09	1,063,211,540.40
(1) Total comprehensive income	-	-	-6,877,020.80	-	1,426,402,801.01	1,419,525,780.21	119,598,548.12	1,539,124,328.33
Net profit	-	-	-	-	1,426,402,801.01	1,426,402,801.01	119,598,548.12	1,546,001,349.13
Other comprehensive income	-	-	-6,877,020.80	-	-	-6,877,020.80	-	-6,877,020.80
(2) Withdrawal or transfer of investment by shareholders	-	-	-	-	-	-	-37,807,184.28	-37,807,184.28
Withdrawal of investment by shareholders	-	-	-	-	-	-	-37,807,184.28	-37,807,184.28
(3) Profit distribution	-	-	-	107,406,491.08	-587,175,962.80	-479,769,471.72	-144,600,742.17	-624,370,213.89
Appropriation to surplus reserves	-	-	-	107,406,491.08	-107,406,491.08	-	-	-
Profit distribution to equity owners	-	-	-	-	-479,769,471.72	-479,769,471.72	-144,600,742.17	-624,370,213.89
(4) Others	-	3,847,402.82	-	-	-	3,847,402.82	182,417,207.42	186,264,610.24
3. Ending balance on 31 December 2017	2,180,770,326.00	2,154,994,921.43	887,624,170.50	2,138,614,923.89	6,256,075,328.76	13,618,079,670.58	2,156,486,969.40	15,774,566,639.98

Item	31 December 2016							
	Attributable to owners of the Company						Minority interests	Total owners' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Sub total		
1. Ending balance on 31 December 2015	2,180,770,326.00	2,274,351,523.42	893,605,520.32	1,915,883,968.12	5,104,281,635.31	12,368,892,973.17	2,592,187,548.93	14,961,080,522.10
2. Movements for the year ended 31 December 2016	-	-123,204,004.81	895,670.98	115,324,464.69	312,566,855.24	305,582,986.10	-555,308,408.62	-249,725,422.52
(1) Total comprehensive income	-	-	895,670.98	-	1,169,353,230.77	1,170,248,901.75	147,068,578.83	1,317,317,480.58
Net profit	-	-	-	-	1,169,353,230.77	1,169,353,230.77	147,068,578.83	1,316,421,809.60
Other comprehensive income	-	-	895,670.98	-	-	895,670.98	-	895,670.98
(2) Withdrawal or transfer of investment by shareholders	-	-123,204,004.81	-	-	-	-123,204,004.81	-332,574,633.51	-455,778,638.32
Acquisition of minority interests	-	-120,924,166.49	-	-	-	-120,924,166.49	-332,574,633.51	-453,498,800.00
Others	-	-2,279,838.32	-	-	-	-2,279,838.32	-	-2,279,838.32
(3) Profit distribution	-	-	-	115,324,464.69	-856,786,375.53	-741,461,910.84	-250,823,850.89	-992,285,761.73
Appropriation to surplus reserves	-	-	-	115,324,464.69	-115,324,464.69	-	-	-
Profit distribution to equity owners	-	-	-	-	-741,461,910.84	-741,461,910.84	-250,823,850.89	-992,285,761.73
(4) Others	-	-	-	-	-	-	-118,978,503.05	-118,978,503.05
3. Ending balance on 31 December 2016	2,180,770,326.00	2,151,147,518.61	894,501,191.30	2,031,208,432.81	5,416,848,490.55	12,674,475,959.27	2,036,879,140.31	14,711,355,099.58

The attached notes are an integral part of these financial statements.

**Shenzhen Expressway Company Limited**

**Consolidated statement of changes in equity**  
**Year ended 31 December 2017**  
 (All amounts in RMB unless otherwise stated)

Item	31 December 2017					
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Total owner's equity
1. Ending balance on 31 December 2016	2,180,770,326.00	2,313,308,096.42	-	2,031,208,432.81	3,822,925,411.37	10,348,212,266.60
2. Movements during the year ended 31 December 2017	-	16,465,915.52	-6,429,331.48	107,406,491.08	486,888,948.02	604,332,023.14
(1) Total comprehensive income	-	-	-6,429,331.48	-	1,074,064,910.82	1,067,635,579.34
Net profit	-	-	-	-	1,074,064,910.82	1,074,064,910.82
Other comprehensive income	-	-	-6,429,331.48	-	-	-6,429,331.48
(2) Profit distribution	-	-	-	107,406,491.08	-587,175,962.80	-479,769,471.72
Appropriation to surplus reserves	-	-	-	107,406,491.08	-107,406,491.08	-
Profit distribution to equity owners	-	-	-	-	-479,769,471.72	-479,769,471.72
(3) Other	-	16,465,915.52	-	-	-	16,465,915.52
3. Ending balance on 31 December 2017	2,180,770,326.00	2,329,774,011.94	-6,429,331.48	2,138,614,923.89	4,309,814,359.39	10,952,544,289.74

Item	31 December 2016				
	Share capital	Capital surplus	Surplus reserve	Undistributed profit	Total owner's equity
1. Ending balance on 31 December 2015	2,180,770,326.00	2,315,587,934.74	1,915,883,968.12	3,517,605,270.46	9,929,847,499.32
2. Movements for the year ended 31 December 2016	-	-2,279,838.32	115,324,464.69	305,320,140.91	418,364,767.28
(1) Total comprehensive income	-	-	-	1,153,244,646.93	1,153,244,646.93
Net profit	-	-	-	1,153,244,646.93	1,153,244,646.93
(2) Withdrawal or transfer of investment by shareholders	-	-2,279,838.32	-	-	-2,279,838.32
Other	-	-2,279,838.32	-	-	-2,279,838.32
(3) Profit distribution	-	-	115,324,464.69	-856,786,375.53	-741,461,910.84
Appropriation to surplus reserves	-	-	115,324,464.69	-115,324,464.69	-
Profit distribution to equity owners	-	-	-	-741,461,910.84	-741,461,910.84
(4) Other	-	-	-	8,861,869.51	8,861,869.51
3. Ending balance on 31 December 2016	2,180,770,326.00	2,313,308,096.42	2,031,208,432.81	3,822,925,411.37	10,348,212,266.60

The attached notes are an integral part of these financial statements.

# Shenzhen Expressway Company Limited

## Notes to Financial Statements

31 December 2017

(All amounts in RMB unless otherwise stated)

### I. General information

#### 1. General information of the Company

Shenzhen Expressway Company Limited (the "Company") was established as a joint stock limited company in Guangdong Province, the People's Republic of China (the 'PRC') on 30 December 1996. The Company has its H shares and A shares listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange of the PRC respectively. The address of the registered office is Fumin Toll Station, Fucheng Subdistrict, Longhua District, Shenzhen, the PRC. The head office of the Company is located at 2-4/F, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the PRC.

The principal activities of the Company and its subsidiaries (collectively the "Group") are the construction, operation, management and investment of toll highways and expressways in the PRC.

Shenzhen International Holdings Limited ("Shenzhen International") is the parent company of the Company. State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipality ("Shenzhen SASAC") is the ultimate controlling company of the Company.

#### 2. The consolidation scope

The detailed information of principal subsidiaries consolidated during the year ended 31 December 2017 is disclosed in Note VII.1. The Company consolidated the operation results and cash flow of Hunan Yichang Expressway Development Co., Ltd. ("Yichang Company") and Hunan Changsha Shenchang Expressway Co., Ltd. ("Shenchang Company") into the consolidated financial statements of the Group. The detailed information of the consolidated financial statements changed during the year ended 31 December 2017 is disclosed in Note VI.

These financial statements have been approved for issue by the Company's Board of Directors on 23 March 2018.

### II. The basis of preparation of the financial statements

#### 1. Basis of preparation

The financial statements were prepared in accordance with the Basic Standards and the Specific Standards of the Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance, and Application Guidance for ASBE, interpretations and other relevant regulations issued and revised thereafter (hereafter referred to as "CAS"). In addition, the financial statements were disclosed in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and regulations of the Hong Kong Company Ordinance.

#### 2. Going concern

The financial statements have been prepared on a going concern basis.

As at 31 December 2017, the Group had net current liabilities of RMB2,869,134,352.25. The directors of the Company made an assessment on going concern. The Group generates positive operating cash flows and maintains good relationship with banks and it has not experienced any difficulties in renewing its banking facilities. In addition, the Group had unutilised banking facilities of approximately RMB13.5 billion as at 31 December 2017 with no reservation kept by the related banks, which can meet its obligations and capital commitments. The directors of the Company therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Except for certain financial instruments, the financial statements have been prepared using historical cost as the principle of measurement. Where assets are impaired, provisions for asset impairment are made in accordance with the relevant requirements.

## Shenzhen Expressway Company Limited

### Notes to Financial Statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### III. Summary of significant accounting policies and accounting estimates

The Group makes specific accounting policies and accounting estimates according to characteristics of its business operations. The focus of the accounting policies and accounting estimates is the provision of bad debt of receivables (Note III.10), the criteria for determining impairment of non-current assets (Note III.18), depreciation policy of fixed assets and amortisation policy of intangible assets (Note III.14 and 17), measurement of provisions (Note III.21), revenue recognition (Note III.22) and recognition of deferred income tax assets (Note III.24), etc.

Key judgments and estimates applied for critical accounting policies by the Group are disclosed in Note III.30.

##### 1. Statement of compliance with the Accounting Standards for Business Enterprises

In compliance with the Chinese Accounting Standards, the financial statements for the year ended 31 December 2017 are and truly and completely present the consolidated and the Company's financial state on 31 December 2017 and the operating results, cash flows and other information for the year ended 31 December 2017 of the Group and the Company.

##### 2. Accounting period

The accounting period started on 1 January 2017 and ended on 31 December 2017.

##### 3. Normal operating cycle

Except for the real estate business and construction business, the operating cycle of the Group's business is relatively short. The classification standard of asset and liability's liquidity is 12 months. The operating cycle of real estate business would generally be longer than 12 months, starting from the commencement of property development to the collection of sales proceeds. The length of the specific operating cycle, which is used as the classification criterion of the liquidity of assets and liabilities in this business, depends on the development project. The operating cycle of construction business would generally be longer than 12 months, starting from the commencement of construction project to completion settlement. The length of the specific operating cycle, which is used as the classification criterion of the liquidity of assets and liabilities in this business, depends on the development project.

##### 4. Functional currency

The Company adopts Renminbi ("RMB") as its functional currency for preparing its financial statements except that Fameluxe Investment Company Limited ("Fameluxe Investment") adopts the Hong Kong dollar ("HKD") as its functional currency. The financial statements are denominated in RMB unless there is any special circumstance.

##### 5. Business combination

A business combination refers to a transaction or event that bringing together two or more separate entities into one reporting entity. Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

#### **The accounting treatment of business combinations involving enterprises under common control**

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the merging party, the other combining enterprise(s) is(are) the merged party(parties). The combination date is the date on which the merging party actually obtains control of the merged party(parties). Assets and liabilities (including goodwill arising from the acquisition of the merged party by the ultimate controlling party) obtained by the merging party in a business combination shall be measured at their carrying amounts at the date of combination as recorded by the ultimate controlling party. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital surplus. If the capital surplus is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

## Shenzhen Expressway Company Limited

### Notes to Financial Statements

31 December 2017

(All amounts in RMB unless otherwise stated)

### III. Summary of significant accounting policies and accounting estimates (continued)

#### **The accounting treatment of business combinations involving enterprises not under common control**

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. In a business combination not involving enterprises under common control, the party which obtains control of other combining enterprise(s) on the combination date is the acquirer, the other combining enterprise(s) is(are) the acquiree(s). The combination date is the date on which the acquirer actually obtains control of the acquiree(s).

The acquiree's identifiable assets, liabilities and contingent liabilities acquired by the acquirer in a business combination not involving enterprises under common control that meet the recognition criteria shall be measured at fair value at the acquisition date.

Where the fair value of combination consideration (or the fair value of issued equity securities) and the fair value of the equity interest held in the acquire prior to the acquisition date exceed the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill, which is subsequently measured at cost less accumulated impairment losses. Where the fair value of combination consideration (or the fair value of issued equity securities) and the fair value of the equity interest held in the acquiree prior to the acquisition date are less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the fair value of combination consideration (or the fair value of issued equity securities) and the fair value of the equity interest held in the acquire prior to the acquisition date. If the fair value of combination consideration (or the fair value of issued equity securities) and the fair value of the equity interest held in the acquire prior to the acquisition date are still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets after the reassessment, the acquirer recognizes the difference immediately in profit or loss for the current period.

For a business combination realized by two or more transactions of exchange, the equity interest held before acquisition date is remeasured at the fair value on the acquisition date and any resulting gain or loss is recognized in investment income of the current year. For the other comprehensive income generated under equity method from the equity interest which is already held before the acquisition date, the same accounting treatment, the investee directly disposes the related assets and liabilities, should be used, and changes in owners' equity of the investee other than net profit or loss, other comprehensive income and profits distribution are recognized in profit or loss when the investments are disposed of.

## 6. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries for the year ended 31 December 2017. A subsidiary is an entity (including an entity, a separable part of an investee, and the structural entities controlled by the Company) which is under the control of the Company.

The accounting policies and accounting periods of the Company and subsidiaries should be consistent in preparation of the consolidated financial statements. All assets, liabilities, equity, income, expenses and cash flows arising from intra-group transactions are eliminated on consolidation.

When the amount of loss for the period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount is still allocated against non-controlling interests.

For a subsidiary that is acquired in a business combination involving enterprises not under common control, the operating result and cash flows of acquire shall be consolidated into the consolidated financial statements from the date on which the Group takes control of acquiree to the date on which such control ceases. In the preparation of consolidated financial statements, the financial statement of subsidiary shall be adjusted based on the fair value of the subsidiary's identifiable assets, liabilities or contingent liabilities determined as at the acquisition date.



## **Shenzhen Expressway Company Limited**

### **Notes to Financial Statements**

**31 December 2017**

(All amounts in RMB unless otherwise stated)

### **III. Summary of significant accounting policies and accounting estimates (continued)**

#### **6. Preparation of consolidated financial statements (continued)**

For a subsidiary that is acquired in a business combination involving enterprises under common control, the operation results and cash flows of the merged party shall be incorporated into the consolidated financial statements at the beginning of the current period. In the preparation of consolidated financial statement, the relative items of the financial statement of previous period shall be treated as the merged party was formed under the control of the Group at the very beginning.

If a change in any facts and circumstances gives rise to one or more changes in controlling factors, the Group will reassess whether it controls the investee or not.

Change in non-controlling interests that does not result in the loss of control over the subsidiary is accounted for as an equity transaction.

In case of the package deals, in which the equity investment in the subsidiary is lost through step-by-step disposals and multiple transactions until it loses control, the transaction will be treated as a transaction disposing the subsidiary and losing control. However, before the loss of control, the difference between the disposal price and the share of the net assets of the subsidiary should be recognized in the consolidated financial statements as other comprehensive income. When the control right is lost, it is transferred to the profit and loss of the period of losing control. In case of disposing of the equity investment in the subsidiary company through multiple transactions until the loss of control right, which does not belong to the package deals, a corresponding accounting treatment shall be carried out on whether each transaction division loses the control right. In the case of losing control, the remaining equity shall be remeasured at the fair value on the date of the loss of control. The difference between the consideration obtained by disposing of the equity adding the fair value of the remaining equity and the share of the net assets calculated on the basis of the original shareholding proportion at the purchase date, is recognized the profit and loss of the period of losing control. If there is goodwill for the subsidiary, the amount of the goodwill should be deducted when calculating the gain or loss on the disposal of the subsidiary. Other comprehensive income related to the equity investment of the original subsidiary company is treated on the same basis as the subsidiary directly disposes of the relevant assets or liabilities when losing control. The shareholders' equity recognized in the change in other shareholders' equity, other than the net profit or loss, other comprehensive income, and profit distribution of the original subsidiary, should be transferred to the profit and loss of the period of losing control.

#### **7. Cash and cash equivalents**

Cash comprises the Group's cash on hand and deposits that can be withdrawn on demand at any time. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **8. Foreign currency translation**

The Group's foreign currency transactions are translated and recorded in the respective functional currency.

A foreign currency transaction is recorded in the functional currency on initial recognition, by applying the exchange rate on the date of transaction or applying the average exchange rate through the transaction period. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the spot exchange rates at the end of the reporting period. Exchange differences arising from the differences between the spot exchange rates prevailing at the end of the reporting period and those on initial recognition or at the previous end of the reporting period are recognised in profit or loss for the period, except that exchange differences that qualify for capitalisation related to a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset during the capitalisation period. Foreign currency non-monetary items measured at historical cost are re-translated at the spot exchange rate on the date of transaction but the amount of the functional currency is not changed. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Differences between the re-translated functional currency amount and the original functional currency amount are recognised in profit or loss or as other comprehensive income depending on the nature of the non-monetary items.

**Notes to Financial Statements**

**31 December 2017**

(All amounts in RMB unless otherwise stated)

**III. Summary of significant accounting policies and accounting estimates (continued)**

**8. Foreign currency translation (continued)**

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the statement of financial position are translated at the spot exchange rate at the end of the reporting period; shareholders' equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items arose; income and expenses in the statement of profit or loss are translated at average exchange rates during the transaction period. The exchange differences arising on translation of financial statements denominated in foreign currencies are recognised as other comprehensive income. For disposals of equity interests in foreign operations, the proportionate share of the accumulated exchange differences arising on translation of financial statements in other comprehensive income of foreign operations should be transferred to profit or loss. For partial disposals, the reclassification is determined on proportion of disposal.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary should be translated at the average exchange rate of the transaction period of cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the statement of cash flows.

**9. Financial instruments**

**(1) Financial assets**

(a) Classification of financial assets

Financial assets are classified into the following categories at initial recognition: financial assets measured at fair value through profit or loss, loans, receivables and available-for-sale financial assets. The classification of financial assets depends on the Group's intention and ability to hold the financial assets. Financial assets held by the Group are financial assets measured at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

Financial assets measured at fair value through profit or loss ("FVTPL").

The Group's financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition as at FVTPL.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale financial assets

Available-for-sale financial assets are either designated in this category or not classified in any of the other categories at initial recognition. Available-for-sale financial assets are included in other current assets on the statement of financial position if management intends to dispose of them within 12 months after the end of the reporting period.

## **Shenzhen Expressway Company Limited**

### **Notes to Financial Statements**

**31 December 2017**

(All amounts in RMB unless otherwise stated)

#### **III. Summary of significant accounting policies and accounting estimates (continued)**

##### **9. Financial instruments (continued)**

###### **(1) Financial assets (continued)**

###### **(b) Recognition and measurement of financial assets**

Financial assets are recognised at fair value on the statement of financial position when the Group becomes a party to the contractual provisions of the financial instrument. In the case of financial assets measured at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initial recognition amounts.

Financial assets measured at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value, while investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables are measured at amortised cost using the effective interest method.

Gain or loss arising from change in the fair value of financial assets measured at fair value through profit or loss is recognised in profit or loss. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognised in profit or loss for the current period.

###### **(c) Impairment of financial assets**

The Group assesses the carrying amounts of financial assets other than those measured at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, the Group determines the amount of impairment loss.

The objective evidence of impairment of a financial asset is the event that actually happened after the recognition of the financial asset which will also affect the estimated future cash flows while the Group can have a reliable measurement on that effect.

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

When an impairment loss on an available-for-sale financial asset has occurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of its estimated future cash flows determined according to the market yield of similar financial assets and recognised in profit or loss. Once the above asset impairment loss is recognised, it will not be reversed in the subsequent periods.

###### **(d) Derecognition of financial assets**

A financial asset is derecognised when one of the below criteria is met: (1) the contractual rights to receive the cash flows from the financial asset expire; (2) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the consideration received and the cumulative changes in fair value that had been recognised directly in other comprehensive income is recognised in profit or loss.

## Shenzhen Expressway Company Limited

### Notes to Financial Statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### III. Summary of significant accounting policies and accounting estimates (continued)

##### 9. Financial instruments (continued)

###### (2) Financial liabilities

###### (a) Classification of financial liabilities

Financial liabilities are classified into the following categories at initial recognition: financial liabilities measured at fair value through profit or loss and other financial liabilities. The financial liabilities of the Group are mainly other financial liabilities, including payables, borrowings and bonds payable.

###### (b) Recognition and measurement

Payables, including accounts payable, other payables and notes payable, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings and bonds payable are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities with maturities no more than one year are classified as current liabilities. Other financial liabilities with maturities over one year but are due within one year at the end of the reporting period are classified as the current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognised or partly derecognised when the current obligation is discharged or partly discharged. The difference between the carrying amount of the financial liability or the derecognised part of the financial liability and the consideration paid is recognised in profit or loss.

###### (3) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. The Group uses current applicable valuation techniques which can be supported by sufficient usable data and other information and chooses inputs by referring to the current fair value of another financial assets that are substantially the same with those instrument dealt with in relevant market transactions between willing parties. When a valuation technique is used to establish the fair value of a financial instrument, the Group makes the maximum use of observable market inputs and relies as little as possible on entity-specific inputs. In case where the relevant observable inputs cannot be impracticably obtained, the unobservable inputs would be used.

###### (4) Derivative financial instruments

The Group uses derivative financial instruments, which are currency forward contracts, to hedge its foreign currency risk. Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Gains or losses arising from changes in the fair value of derivatives are directly charged to profit or loss for the current period.

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**III. Summary of significant accounting policies and accounting estimates (continued)**

**10. Receivables**

Receivables comprise accounts receivable, long-term receivables and other receivables. Accounts receivable arising from the sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients. Accounts receivable arising from rental services are initially recognised at fair value of the contractual payments from leasees.

**(1) Receivables that are individually significant and subject to separate provision**

Receivables that are individually significant are subject to separate impairment assessment. If there is objective evidence that the Group will not be able to collect the full amount under the original terms, a provision for impairment of that receivable is established.

The criterion applied to individually significant balances	For accounts receivable, any individual amount exceeds RMB5,000,000.00 is considered to be "individually significant"; for other receivables, any individual amount exceeds RMB1,000,000.00.
Bad debt provision for receivables that are individually significant	Bad debt provision is made for the difference between the book value and the present value of the estimated cash flows.

**(2) Receivables that are subject to provision by group with similar credit risk characteristics**

For all other receivables that are not individually significant or for which impairment has not yet been identified, the Group performs a collective assessment by grouping the receivables with similar credit risk characteristics and collectively assesses them for impairment. The impairment losses are determined based on the historical actual loss and taking into consideration of the current circumstances.

Bad debt provision for receivables that are subject to provision by group with similar credit risk characteristics (Aging analysis, percentage of balance, other methods)	
Group 1 Receivables from government and related parties	Other appropriate methods
Group 2 Receivables from other third parties	Aging analysis and other appropriate methods

Ratios of provision for bad debts using the aging analysis for the above groups are as follows:

Aging	Provisioning percentage applied for receivable (%)	Provisioning percentage applied for other receivables (%)
Within 1 years	-	-
1 year to 2 years	-	-
2 years to 3 years	-	-
Over 3 years	100	100

Ratios of provision for bad debts using other methods for the above groups are as follows:

Name of the group	Provisioning percentage applied for accounts receivable (%)	Provisionin percentage applied for other receivables (%)
Group 1 and Group 2 with aging within 3 years	No provision for receivables from governments, related parties and other third parties with aging not later than 3 years unless there is objective evidence that the Group will not be able to collect the full amount under the original terms of the receivable.	No provision for receivables from governments, related parties and other third parties with aging not later than 3 years or receivables of the nature of deposits and guarantees unless there is objective evidence that the Group will not be able to collect the full amount under the original terms of the receivable.

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#### III. Summary of significant accounting policies and accounting estimates (continued)

##### 10. Receivables (continued)

###### (3) Receivables that are not individually significant but subject to separate provision

The basis for separate provision	The basis for separate provision is that there is objective evidence that the Group will not be able to collect the full amount under the original terms of the receivable.
The provision for bad debts	The provision for bad debts is determined based on the difference of the carrying amount and the present value of estimated future cash flows.

##### 11. Inventories

###### (1) Classification

Inventories include real estate properties for development, toll tickets, low value consumables, maintenance and repair parts and materials in stock, and are measured at the lower of cost and net realizable value.

Real estate properties comprise properties held-for-sale, properties under development and properties held for development. Properties held-for-sale are those properties completed and for sale, while properties under development are those properties still under construction and for sale purposes, and properties held for development are those lands purchased and planned to have properties developed on .

###### (2) Costing of inventories

The cost of completed properties held-for-sale is determined using the specific identification method, which comprise the land cost, construction cost and other cost. The costs of toll tickets, low value consumables, maintenance and repair parts and materials in stock are determined using the weighted average method.

###### (3) Basis for the determination of net realisable value and provisions for declines in the value of inventories

At the end of the reporting period, the inventories are measured at the lower of the cost and the net realizable value. If the cost is higher than the net realizable value, the provision for the inventories should be recognized in the profit and loss of the current period. If the influencing factors of the provision for inventories have been eliminated and the net realizable value of inventories is higher than its book value, the previously deducted amount will be recovered from the amount of provision for inventories accrued previously and the amount should be recognized in the profit and loss of the current period.

Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs and related taxes necessary to achieve completion and to make the sale.

Inventory system adopts the Perpetual Inventory Systems.

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### **III. Summary of significant accounting policies and accounting estimates (continued)**

#### **12. Long-term equity investments**

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries as well as the Group's long-term equity investments in its joint ventures and associates.

Subsidiaries are the investees over which the Company is able to exercise control. Joint ventures are the investees over which the Group is able to exercise joint control together with other venturers. Associates are the investees that the Group has significant influence on their financial and operating policies.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted for preparing the consolidated financial statements using the equity method. Investments in joint ventures and associates are accounted for using the equity method.

##### **(1) Determination of investment costs**

For long-term equity investments acquired through a business combination: for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination costs. Where the initial investment cost of a long-term equity investment is acquired through a business combination involving enterprises under common control, the initial investment cost is the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the carrying amount of the consideration of the combination is adjusted to capital reserve (and the excess goes to retained earnings, if any). For other comprehensive income before the combination date, it is accounted for on the same basis as would have been required if the investee has directly disposed of the related assets or liabilities. The investee's shareholders' equity recognized resulting from changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution is charged to profit or loss when the related investment is disposed of. Investments remain long-term after disposal are recognized in proportion, where investments converted to financial instruments after disposal are recognized in total.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

##### **(2) Subsequent measurement and the methods of investment income recognition**

For long-term equity investments accounted for using the cost method, they are measured at the initial investment costs, and cash dividends or profit distribution declared by the investees are recognised as investment income in profit or loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the book value of the long-term equity investment and any long-term interests that, in substance, form part of the investor's net investment in the investee is reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in owners' equity of the investee other than those arising from its net profit or loss, comprehensive income and profit distribution, the Group records its proportionate share directly into capital surplus. The book value of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based on which the investment gains or losses are recognized. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

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#### III. Summary of significant accounting policies and accounting estimates (continued)

##### 12. Long-term equity investments (continued)

On disposal of a long-term equity investment, the difference between the proceeds actually received and the book value is recognized in profit or loss for the current period. For a long-term equity investment accounted for using the equity method, when the Group discontinues using the equity method, any other comprehensive income previously recognized is accounted for on the same basis as would have been required for if the investee had directly disposed of the related assets or liabilities. Shareholders' equity recognized resulting from changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution is charged to profit or loss in entirety. When the Group continues to use the equity method, any other comprehensive income previously recognized is accounted for on the same basis as would have been required for if the investee had directly disposed of the related assets or liabilities and charged to the current period profit or loss on a pro-rata basis. Shareholders' equity, recognized resulting from changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution, is charged to profit or loss on a pro-rata basis.

##### (3) Basis for determination of the existence of control, joint control or significant influence over the investees

Control refers to having the power over the investee, enjoying variable returns by participating in related activities of the investee, and being able to use its power over the investee to influence the invest return.

Joint control is the contractually agreed sharing of control over an economic activity, which exists only when unanimous consent of the parties sharing control is required for making strategic financial and operating decisions relating to the operation.

Significant influence is the power to participate in the decision making of financial and operating policies of the investee, but is not control or joint control over those policies.

##### (4) Impairment of long-term equity investments

The book value of long-term equity investments in subsidiaries, joint ventures and associates should be reduced to the recoverable amount if the recoverable amount is below the book value (Note III.18).

##### 13. Investment properties

Investment properties, the buildings held for the purpose of leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and its cost can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

The Group adopts the cost model for the subsequent measurement of investment properties. Investment properties are depreciated or amortised to their estimated net residual values over their estimated useful lives. The estimated useful life, the estimated residual value rate and the annual amortisation rate of the investment properties are as follows:

	Estimated useful life	Estimated residual value rate	Annual amortisation rate
Car parking spaces	30 years	-	3.33%

When an investment property is transferred to an owner-occupied property, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment property at its carrying amount at the date of the transfer.



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#### III. Summary of significant accounting policies and accounting estimates (continued)

##### 13. Investment properties (continued)

The estimated useful life, net residual value of the investment property and the amortisation method applied are reviewed and adjusted at each year-end.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

The carrying amount of investment properties should be reduced to the recoverable amount when its recoverable amount is below the carrying amount (Note III.18).

##### 14. Fixed assets

###### (1) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, traffic equipment, motor vehicles, and office and other equipment.

Fixed assets are recognised when it is probable that related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the date of acquisition. The cost and accumulated depreciation of fixed assets invested by state shareholders to the Company on 1 January 1997 were recognised according to the valuation results performed by the valuer which were certified by the State-owned Assets Supervision and Administration Bureau in accordance with Guo Zi Ping (1996) No.911.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

###### (2) Depreciation methods of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been with impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

Type	Depreciation method	Estimated useful lives (year)	Estimated residual value rate	Annual depreciation rate
Buildings				
- Office buildings	Straight-line	20-30 years	5%	3.17%-4.75%
- Temporary housesq	Straight-line	5-10 years	5%	9.50%-19.00%
- Constructions	Straight-line	15 years	5%	6.33%
Traffic equipment	Straight-line	5-10 years	0%-5%	9.50%-20.00%
Motor vehicles	Straight-line	5-6 years	5%	15.83%-19.00%
Office and other equipment	Straight-line	3-5 years	0%-5%	19.00%-33.33%

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed and adjusted at least at each year-end.

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#### **III. Summary of significant accounting policies and accounting estimates (continued)**

##### **14. Fixed assets (continued)**

###### **(3) Impairment of fixed assets**

The book value of fixed assets is reduced to the recoverable amount if the recoverable amount is below the book value (Note III.18).

###### **(4) Disposal of fixed assets**

A fixed asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposal on sale, transfer, retirement or damage of a fixed asset net of its book value and related taxes and expenses is recognized in profit or loss for the period.

##### **15. Construction in progress**

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs and borrowing costs that are eligible for capitalization and other costs necessary to bring the construction in progress ready for their intended use. Construction in progress should be transferred to fixed assets when the assets are ready for their intended use, and should start to depreciate in the following month. The book value of construction in progress should be reduced to the recoverable amount if the recoverable amount is below the book value (Note III.18).

##### **16. Borrowing costs**

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time for acquisition and construction for its intended use, which are to be capitalized and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalization of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognized in profit or loss for the current period. Capitalization of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalization period.

For the general borrowings occupied by the acquisition or construction of a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by multiplying the weighted average effective interest rate of general borrowings by the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which estimated future cash flows during the expected or shorter period applied to be discounted to the initial amount of the borrowings.

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### **III. Summary of significant accounting policies and accounting estimates (continued)**

#### **17. Intangible assets**

Intangible assets include concession intangible assets, billboard use right and software. And the intangible assets are measured at cost.

##### **(1) Concession intangible assets**

Concession intangible assets refer to the rights granted by the respective concession grantors, which entitle the Group to receive the toll fees from users and land use right obtained in conjunction with the concession arrangement. Concession intangible assets are measured at actual cost because the Group subcontracts the construction to the third parties instead of providing actual construction service. Actual cost comprises construction infrastructure prices, construction related costs and borrowing costs that are eligible for capitalization and incurred before the toll roads are ready for their intended use. The concession intangible assets are initially stated at actual project costs or budget costs and then adjusted to the actual costs when project completion audit is finalized.

The concession intangible assets, the toll roads invested by the state-owned shareholders on 1 January 1997 were stated at valuation performed by the asset valuation firms and the values were certified by the State-owned Assets Supervision and Administration Bureau ("SASAB") in accordance with Guo Zi Ping (1996) No.911. The land-use right relating to Shenzhen Airport-Heao Expressway (Western Section) invested to the Company by the promoter of the Company during the restructuring period of the Group was stated at the then revaluation amount admitted by SASAB on 30 June 1996. The land-use right relating to Meiguan Expressway owned by Shenzhen Meiguan Expressway Company Limited ("Meiguan Company"), the subsidiary, was invested by Xin Tong Chan Development (Shenzhen) Company Limited ("Xin Tong Chan Company"), one of the promoters of the Company, at the value specified in the respective investment agreement.

When toll roads are ready for their intended use, amortization of concession intangible assets is calculated to write off their costs on the traffic volume amortization method. Amortization is provided on projected units-of-usage ("unit usage"), which is calculated based on the total projected traffic volume during the operating period of the concessions and the original or book value of the concession intangible assets with the concession combined with the actual traffic volume during each accounting period written off.

The Company has set policy to execute internal review on the total projected traffic volume during the operating period of the concessions annually. The Group also appoints an independent professional traffic consultant to perform independent professional traffic studies when material difference between actual traffic volume and projected traffic volume exists, or every 3 to 5 years and then adjust the amortization unit usage according to the revised total projected traffic volume, to ensure that the respective concession intangible assets would be fully amortized in the operating period.

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#### III. Summary of significant accounting policies and accounting estimates (continued)

##### 17. Intangible assets (continued)

###### (1) Concession intangible assets (continued)

The respective operating period and amortisation units of the toll roads are set out as follows:

Item	Operating period	The unit usage (RMB)
Yanba Expressway	April 2001 to April 2026(Section A) July 2003 to July 2028 (Section B) March 2010 to March 2035 (Section C)	4.49
Yanpai Expressway	May 2006 to March 2027	1.97
Meiguan Expressway	May 1995 to March 2027	0.84
Shenzhen Airport-Heao Expressway (Western Section)	May 1999 to March 2027	0.78
Nanguang Expressway	January 2008 to January 2033	4.71
Shenzhen Airport-Heao Expressway (Eastern Section)	October 1997 to March 2027	3.49
Wuhuang Expressway	September 1997 to September 2022	8.46
Qinglian Expressway	July 2009 to July 2034	26.54
Shuiguan Expressway	March 2002 to February 2027	5.86
Yichang Expressway	January 2004 to December 2033	9.53
Changsha Ring Road (Northwestern Section)	November 1999 to October 2029	2.45

Subsequent expenditures incurred for concession intangible assets are included in the cost of the concession intangible assets when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

###### (2) Other intangible assets

Billboard use rights are amortized on the straight-line basis over their useful lives of 5 years. Purchased software is amortized on the straight-line basis over 5 to 10 years.

###### (3) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review and adjustment on its useful life and amortisation method are performed at each year-end.

###### (4) Impairment of intangible assets

The book value of intangible assets should be reduced to the recoverable amount if the recoverable amount is below the book value (Note III.18).

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**III. Summary of significant accounting policies and accounting estimates (continued)**

**18. Impairment of long-term assets**

Fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that an asset may be impaired at the end of the reporting period; intangible asset that is not ready for its intended use should be tested at least annually. If the result of the impairment test indicates that the recoverable amount of the asset is less than its book value, a provision for impairment and an impairment loss are recognized for the amount by which the asset's book value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is solely presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication of impairment. In conducting the test, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or group of asset groups, including the goodwill allocated, is lower than its book value, the corresponding impairment loss is recognized. The impairment loss is first deducted from the book value of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the book value of other assets within the asset groups or groups of asset groups in proportion to the book value of other assets.

Once the above asset impairment loss is recognized, it will not be reversed for the value recovered in the subsequent periods.

**19. Long-term prepaid expenses**

Long-term prepaid expenses comprise the prepaid expenditures but should be recognized as expenses for the current and subsequent periods, which in total are more than one year. Long-term prepaid expenses are amortized on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortization on the end of the reporting period.

**20. Employee benefits**

Employee benefits represent all kinds of allowances and compensations paid by the Group for services rendered by employees or for termination of employment relationship, which mainly include short-term wages, pension benefits, termination of employment benefits and other long-term staff welfares.

**(1) Accounting treatment of short-term wages**

Short-term wages include wages or salaries, bonuses, allowances and subsidies, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds, labor union funds, employee education funds, short term paid absence and etc. Actual short-term wages are recognized as liabilities in the periods when the employees render services and are charged to profit or loss or capitalized in costs of related assets. The non-monetary welfare is measured at fair value.

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#### III. Summary of significant accounting policies and accounting estimates (continued)

##### 20. Employee benefits (continued)

###### (2) Accounting treatment of pension benefits

The Group classifies the retirement benefit plans as defined contribution plans and defined benefit plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent fund. And as the result, the Group has no legal or constructive obligations to pay further contributions. A defined benefit plan is a pension plan other than a defined contribution plan. During the reporting period, the Group's pension benefits were mainly pension insurance and unemployment insurance which were both defined contribution plans.

###### (a) Basic pension insurance

The Group's employees are involved in the basic social pension insurance organized and implemented by the local labor and social security bureau. The Group paid the basic pension issuance expenses monthly to designated insurance companies for its employees. And the basis amounts and rates are determined by the local regulations. After the employees' retirement, the local labor and social security bureau is responsible for paying the pension benefit to the retired employees. The amounts of pension insurance payable calculated according to the above regulations are recognized as liabilities in profit or loss or capitalized in costs of related assets during the periods when the employees provide services.

###### (b) Enterprise annuities plan

Beside the above basic social pension insurance, the Company establishes an enterprise annuities plan in accordance with relevant national enterprise annuity system policies ("enterprise annuities plan"), in which the Group's employees can voluntarily participate. The Company shall prepare the annuities to a certain proportion of employees' total wages, the corresponding expenditures shall be recorded in current profit or loss. Exception for the above mentioned, the Company did not have any other significant social insurance commitment to its employees.

###### (3) Accounting treatment of termination benefits

The Group provides compensation for the termination of employment relationship before the expiry of employment contracts or for employees' voluntary layoffs. The compensation is recognized as a liability and in profit or loss on the earlier of the date the Group is unable to unilaterally withdraw the plan on the termination of employment relationship or the layoff proposal and the date costs and expenses in relation to the payment of compensation to the termination of employment relationship are recognized.

##### 21. Provisions

As part of its obligations under the respective service concessions, the Group assumes responsibility for the maintenance and resurfacing of the toll roads it operates. Provisions for maintenance and resurfacing are recognized when the Group has a present obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increased amount of the book value of provisions, caused by discount restoration with the time passing by, is recognized as interest expenses.

The book value of provisions is reviewed and adjusted at the end of each reporting period in order to reflect the best estimate for the current period.

## Shenzhen Expressway Company Limited

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### III. Summary of significant accounting policies and accounting estimates (continued)

#### 22. Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities.

Revenue is recognized when the economic benefits related to the transaction will flow to the Group, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Group's activities as described below:

- (1) The Group's toll revenue from the operations of toll roads is recognised when the related services have been provided, revenue and total costs can be measured reliably and economic benefits with transactions can flow into the Group.
- (2) For construction management services, when the results of the construction management services can be estimated reliably, construction management service revenue is recognized using the percentage of completion method and the stage of completion is measured with reference to the actual construction costs and related management expenses incurred till the end of the reporting period as a percentage of the total estimated construction costs and management expenses. When the results of the construction management services cannot be estimated reliably, construction management service revenue is recognized at the same amount of actual management expenses incurred only to the extent that such expenses are probable to be recovered.
- (3) Income from property sales is recognized when the Group signs a contract with a buyer, then obtains the proof of the buyer's payment and delivers the property to the buyer after the property is completed and passes the acceptance. When the buyer is informed of launch literally and doesn't have a proper reason to reject it, related revenue is recognized after the time limit of the information is over.
- (4) Revenue from entrusted services is recognized on a straight-line basis over the contract period.
- (5) For the service concession contracts entered into with the government departments, according to which the Group participates in the development, financing, operations and maintenance of the toll road construction, the Group recognized no construction services revenue if the Group subcontracts the work to other parties and does not undertake the construction work on its own.
- (6) The Group's revenue from services like engineering consulting is recognized using the completion percentage method when the result of trade-in services can be measured reliably. The completion percentage is determined by the measurement of work completed or the proportion of labor provided to the total labor or the proportion of cost provided to the total cost. In case that results of trade-in services cannot be measured reliably, and if the labor cost provided can be recovered, the amount of labor income is recognized according to the amount of labor cost provided and the same amount of the labor cost is carried forwarded. If the labor cost provided cannot be recovered, the labor cost provided is recognized in the current profit or loss and the related revenue will not be recognized.
- (7) Advertising revenue is recognised on a straight-line basis over the contract period.
- (8) Interest income is determined by using the effective interest method, based on the length of time for which the Group's cash is used by others.
- (9) Income from an operating lease is recognised on a straight-line basis over the period of the lease.

## Shenzhen Expressway Company Limited

### Notes to Financial Statements

31 December 2017

(All amounts in RMB unless otherwise stated)

### III. Summary of significant accounting policies and accounting estimates (continued)

#### 23. Government grants

A government grant is recognized when the condition attached to it is fulfilled and the grant can be received. The monetary grant from the government is measured at the amount received or receivable. The non-monetary grant from the government is measured at its fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount.

Government documents stipulate that if the long-term assets are obtained by acquisitions, constructions or other forms, the grants should be recognized as the government grants related to assets. If the government documents are unclear, they should be judged on the basis of the basic conditions necessary for obtaining such grants. If the long-term assets are obtained by acquisitions, constructions or other forms, the grants should be recognized as the government grants related to assets, and the others should be recognized as income-related government grants.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred in the subsequent periods, the grant is recognized as deferred income, and included in profit or loss over the periods in which the related costs are recognized or adjusted against the relevant cost; where the grant is a compensation for related expenses or losses already incurred by the Group, the grant is recognized immediately in profit or loss for the current period or is adjusted against the relevant cost.

Government grants related to assets are adjusted against the book value of the assets or recognized as deferred income and evenly distributed in profit or loss over the useful period of related assets in a reasonable and systematic way. Government grants measured at their nominal amounts shall be recognized immediately in profit or loss for the current period. If the relevant assets sold, transferred, disposed of or ruined before their useful life ends, the undistributed relevant deferred income shall be transferred to the gain from asset disposal for the current period.

#### 24. Income Tax

The income tax expenses include current income tax and deferred tax. Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in owners' equity, in which case they are recognised in owners' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

Current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

At the end of the reporting period, for temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between carrying amount of items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (1) When the taxable temporary difference arises from: the initial recognition of goodwill or the initial recognition of an asset or liability in transactions that are not business combinations and, at the time of the transaction, affects neither the accounting profit, taxable profit or loss nor deductible losses;
- (2) In respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangement, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.



## Shenzhen Expressway Company Limited

### Notes to Financial Statements

31 December 2017

(All amounts in RMB unless otherwise stated)

### III. Summary of significant accounting policies and accounting estimates (continued)

#### 24. Income Tax (continued)

For deductible temporary differences, deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, deductible losses and tax credits can be utilised, except:

- (1) When the deductible temporary differences do not arise from business combinations and, at the time of the transaction, affects neither the accounting profit, taxable profit or loss nor deductible losses; and
- (2) In respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

At the end of the reporting period, deferred tax assets and liabilities are measured at applicable tax rates according to the requirements of tax laws during the period that the assets are expected to be recovered or the liability expected to be repaid. The recognition of deferred tax assets and liabilities also take the recovery or the repayment terms into account.

At the end of the reporting period, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. At the end of the reporting period, the carrying amount of deferred tax assets is reviewed and recognised to the extent that it is probable that available taxable profits in the future will allow the benefit of deferred tax assets to be utilised.

When all of the following conditions are satisfied simultaneously, the deferred income tax assets and deferred income tax liabilities are listed as the net amount after offsetting: the Group have a legal right to settle current tax assets and liabilities on a net basis; the deferred taxes are related to the same tax payer within the Group and the same taxation authority, or related to different tax payers but during the period when each of the significant deferred income tax assets and deferred income tax liabilities are reversed and the tax payer involved intends to settle the current income tax asset and current income tax liability on a net basis, or simultaneously obtain assets and pay off the debts.

#### 25. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### (1) Operating leases

As lessee of an operating lease

Lease payments under an operating lease are recognized by a lessee on a straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss of the current period. Contingent rents are charged to profit or loss in the period in which they actually arise.

As lessor of an operating lease

Rental income under an operating lease is recognized by a lessor on a straight-line basis over the lease term, through profit or loss. Contingent rents are charged to profit or loss in the period in which they actually arise.

## **Shenzhen Expressway Company Limited**

### **Notes to Financial Statements**

**31 December 2017**

(All amounts in RMB unless otherwise stated)

#### **III. Summary of significant accounting policies and accounting estimates (continued)**

##### **26. Dividend distribution**

Cash dividends of the Company are recognized as liabilities after being approved at the shareholders' meeting.

##### **27. Fair value measurement**

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement of the related assets and liabilities at fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market is accessible by the Group as at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization at the end of each reporting period.

## Shenzhen Expressway Company Limited

### Notes to Financial Statements

31 December 2017

(All amounts in RMB unless otherwise stated)

### III. Summary of significant accounting policies and accounting estimates (continued)

#### 28. Other significant accounting policies and accounting estimates

##### Segment information

The Group identifies operating segments based on the internal organization structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) The component's operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance; (3) The information on the financial position, operating results and cash flows of the segment is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

#### 29. Changes in accounting policies and accounting estimates

##### Changes in accounting policies

##### Change in disclosure of gains or losses on disposal of assets

Persuant to requirements of *Notice on the Issuance of Revision of General Enterprise Financial Statement by Finance Ministry (Caikuai[2017]30)*, the Group shall additionally disclose "Gains/(losses) on disposal of assets" above the line of "Operating profit". For the gains or losses on disposal of non-current assets which originally disclosed in "Non-operating income" or "Non-operating expenses", shall be reclassified in "Gains/(losses) on disposal of assets". The Group restated the comparative amount in the statement of profit or loss and other comprehensive income. The change in accounting policy have had no impact on both the consolidated and the Company's net profit and shareholder's equity.

##### Change in disclosure of government grants

Persuant to requirements of *Notice on the Issuance of amendments to the Accounting Standards for Enterprise No.16-Government Grants (Caikuai[2017]15)*, the Group shall additionally disclose "Other income" above the line of "Operating profit". For government grants related to the entity's daily operating activities, shall be reclassified from "Non-operating profit" to "Other income". According to the guideline for this standard, government grants of the Group existed before 1 January 2017 should apply to future applicable method. For government grants acquired between 1 January 2017 and the execution date (12 June 2017) of this standard should be adjusted upon the standard requirement. "Other income", "Operating profit" and "Non-operating profit" of 2017 are different from those of 2016, but have had no impact on both the consolidated and the Company's net profit of 2017 and 2016.

##### Change in disclosure of ceasing operations

Persuant to requirements of *Notice on the Issuance of the Accounting Standards for Enterprise No.42-Non-current Assets Held-for-sale, Disposal Group and Ceasing Operations (Caikuai[2017]13)*, the Group shall additionally disclose "Net profit from continuing operations" under the line of "Net profit". The Group have no "Net profit from ceasing operations" in both 2016 and 2017.

## Shenzhen Expressway Company Limited

### Notes to Financial Statements

31 December 2017

(All amounts in RMB unless otherwise stated)

### III. Summary of significant accounting policies and accounting estimates (continued)

#### 29. Changes in accounting policies and accounting estimates

##### Changes in accounting policies

The accounting standards issued and effective in 2018

##### Revenue

On 5 July 2017, the Ministry of Finance announced the revised "Accounting Standards for Business Enterprises No.14 - Revenue" (the "New Revenue Standard") in replacement of "ASBE No.14 – Revenue" and "ASBE No.15 – Construction Contracts" announced on 15 February 2006 and the "ASBE No.14 – Revenue' Application Guide" announced on 30 October 2006 and required enterprises listed in both domestic and overseas markets and enterprises listed overseas adopting IFRS or Accounting Standards for Business Enterprises in preparation of their financial statements to adopt the New Revenue Standard with effect from 1 January 2018.

Under the New Revenue Standard, the core principle for the recognition of revenue is that revenue shall be recognized when "the enterprise have fulfilled its contractual obligations, namely, the customer have obtained control of related goods od services". Based on such principle, the recognition of revenue under the New Revenue Standard consists of five steps: 1) identification of customer contracts; 2) identification of individual obligations contained in the contract; 3) determination of the transaction price; 4) allocation of the transaction price to individual obligations; and 5) recognition of revenue based on the individual obligations. The New Revenue Standard have also made specific provisions for certain matters or transactions, for example: contract costs, pledge money, distinctions between principals and agents, sales with return provisions, options for further purchases, intellectual property licenses, repurchase arrangements, prepayments, non-refundable initial costs, etc.

The Group planned to apply the New Revenue Standard from 1 January 2018. In accordance with relevant provisions under the convergence requirement of the New Revenue Standard, the cumulative amount reflecting the impact of the New Revenue Standard shall be adjusted against the opening balances of the retained profit and other related items on the financial statements, while information of the comparative period shall not be adjusted. Based on the Group's assessment, the Group anticipates that the adoption of the New Revenue Standard will not have a material impact on the Group's current contract revenue recognition.

##### Financial instruments

On 31 March 2017, the Ministry of Finance announced the revised editions of 3 accounting standards relating to financial instruments: the "Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments" (Accounting [2017] No. 7) and "Enterprise Accounting Standards No. 23 - Transfer of Financial Assets" ( Finance and Accounting [2017] No. 8). On 22 May 2017, the Ministry of Finance announced the revised editions of the "Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments" (Accounting [2017] No. 14). the Ministry of Finance require companies that are listed at the same time both domestically and abroad, as well as companies that are listed overseas and use international financial reporting standards or enterprise accounting standards to prepare financial reports. On 1 January 2018, the New Financial Instrument Standards will be implemented. The standard introduces new regulations for classification and measurement, impairment and hedging accounting. The Group implements the new financial instrument guidelines from 1 January, 2018, and will not repeat the previous period's comparative financial statement data, but will adjust the retained earnings or other comprehensive income on 1 January 2018. The Group has evaluated the impact of the implementation of the new financial instrument standards in 2017. The estimated impact of the classification and measurement and impairment requirements is summarized as follows:

## Shenzhen Expressway Company Limited

### Notes to Financial Statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### IV. Summary of significant accounting policies and accounting estimates (continued)

##### 29. Changes in accounting policies and accounting estimates

###### Changes in accounting policies (continued)

The accounting standards issued and taking effects in 2018 (continued)

###### (1) Classification and Measurement

Upon the adoption of the New Financial Instrument Standards, the classification and measurement of financial assets shall be dependent on the assessment of two factors; the contracted cash flow characteristics of the financial assets and the Group's business model for the management of financial assets. Based on the assessment of the Group, the Group does not expect the adoption of the New Financial Instrument Standards to have a material impact on the classification and measurement of other financial assets, except that financial assets currently classified by the Group as available-for-sale financial assets will be reclassified as financial assets at fair value through current profit or loss or financial assets at fair value through other comprehensive income. The Group is in the process of assessing the impact of the fair value of such investments and the aforesaid changes in the consolidated financial statement.

###### (2) Impairment

The New Financial Instrument Standards requires that the impairment of financial assets classified at amortized cost, debt instruments measured at fair value through other comprehensive income, contract assets defined under "ASBE No. 14 — Revenue", the loan promise except for financial liabilities measured at fair value through profit or loss issued by the enterprise and the financial warranty contract shall be recognized based on expected credit losses either on a 12-month basis or a lifetime basis. Based on the assessment of the Group, the adoption of the New Financial Instrument Standards will not have any material impact on the bad debt provisions for the Group's trade receivable.

###### Changes in accounting estimates

No changes in accounting estimates of the Group for the year.

## Shenzhen Expressway Company Limited

### Notes to Financial Statements

31 December 2017

(All amounts in RMB unless otherwise stated)

### III. Summary of significant accounting policies and accounting estimates (continued)

#### 30. Significant accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the presentation and disclosure of income, expenses, assets and liabilities, and the disclosure of contingent liabilities on the balance sheet date. However, the results of these assumptions and estimated uncertainties may cause significant adjustments to the carrying amount of future assets or liabilities that are affected.

##### Estimation uncertainty

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the future financial year are addressed below:

##### **(1) The estimation of construction management services income and costs**

As stated in Note III.22(2), the Group recognised revenue from construction management services using the percentage of completion method when the outcome of the construction management services can be estimated reliably.

During the current period, the directors of the Company recognised construction management service income and costs according to the optimum estimation on the total investment top limit, project costs as well as other construction management service costs.

If the total budget for the project and project costs as well as the actual construction management service costs is different from management's current estimates, the construction management service income and costs will be changed prospectively.

##### **(2) Amortisation of concession intangible assets**

As stated at Note III.17(1), amortisation of concession intangible assets is provided under the traffic volume amortisation method. Appropriate adjustments to the amortisation of concession intangible assets will be made when there is a material difference between total projected traffic volume and the actual results.

The directors perform periodic assessment of the total projected traffic volume. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies in order to make an appropriate adjustment if there is a material and continuous difference between projected and actual traffic volume. The Group appointed independent professional traffic consultants to perform independent professional traffic studies on its main toll roads in 2006, 2010, 2013, 2014 and 2015 and perform independent traffic volume study respectively on Changsha Ring Road, Wuhuang Expressway and Yichang Expressway in 2015, 2016 and 2017, and then prospectively adjusted the amortization unit according to the revised total projected traffic volume.

The Company has entered into an agreement with Transport Commission of Shenzhen Municipality ("Shenzhen Transportation Bureau") related to the toll adjustment and compensation arrangements of Nanguang Expressway, Yanpai Expressway and Yanba Expressway (the "Three Expressways") at the end of 2015. Because of the uncertainty of the tolls levied by the Shenzhen Transportation Bureau, the agreement does not change the amortisation method of the Three Expressways as concession intangible assets. The amortisation is still based on expected traffic volume during the concession periods.

## Shenzhen Expressway Company Limited

### Notes to Financial Statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### III. Summary of significant accounting policies and accounting estimates (continued)

##### 30. Significant accounting estimates and judgments (continued)

###### (3) Provisions for maintenance/resurfacing obligations

As stated at Note III.21, the Group has contractual obligations under service concessions to maintain the toll road infrastructure to a specified level of serviceability. These obligations to maintain or restore the infrastructure, except for upgrading services, are to be recognized and measured as a provision.

The expenditures expected to incur in order to settle the obligations are determined based on the frequency of major maintenance and resurfacing activities throughout the operating periods of toll roads operated by the Group under the service concessions and the expected costs to be incurred for each event. The expected costs for maintenance and resurfacing and the timing of such events involve the directors' estimates. Such estimates are developed based on the Group's resurfacing plan and historical costs incurred for similar activities. The costs are then discounted to the present value based on the market rate which can reflect the time value of money and the risks specific to this obligation.

If the expected expenditures, resurfacing plan and discount rate are different from management's current estimates, the provision for maintenance/resurfacing will be changed prospectively.

###### (4) Income tax and deferred tax

The Group is subject to income taxes in several jurisdictions. During the ordinary course of business, the ultimate tax determinations of some transactions and events are indeterminate. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognizes deferred tax assets based on estimates that it is probable to generate enough taxable income in the foreseeable future that the deductible losses will be utilized. The recognition of deferred tax assets mainly involved management's judgments and estimations about the timing and the amount of taxable income of the Company which has tax loss. Where the final outcome of timing and amount is different from that initially estimated, such differences will impact the current income taxes and deferred tax assets in the period in which such determination is made.

###### (5) Impairment of financial assets

The Group assesses at the end of the reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment tests should be executed when there is any indication that the carrying amount is not recoverable. An impairment exists if the carrying amount of the financial asset or the group of financial assets overtops its recoverable amount, the higher one of the fair value net of disposal costs and the present value of the estimated future cash flow. The net amount of fair value minus disposal costs is determined by reference to the agreement price or observable market price of similar assets in the fair trade. When estimating the present value of future cash flows, management must estimate the expected future cash flows of the asset or assets group and select the appropriate discount rate to determine the present value of future cash flows.

## Shenzhen Expressway Company Limited

### Notes to Financial Statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### III. Summary of significant accounting policies and accounting estimates (continued)

##### 30. Significant accounting estimates and judgments (continued)

###### (6) Estimate of fair value of the identifiable net assets acquired

During the year 2015, the Company's wholly-owned subsidiary Mei Wah Industrial (Hong Kong) Limited ("Mei Wah Company") purchased a 10% equity interest in Shenzhen Qinglong Expressway Co., Ltd. ("Qinglong Company") indirectly by purchasing a 100% equity interest in Fameluxe Investment at a cash consideration of RMB280 million. After completion of the transaction, the Group will directly and indirectly hold an aggregate of a 50% equity interest in Qinglong Company and will obtain the control over Qinglong Company.

The purchase agreement includes the following conditions that would trigger an adjustment to the consideration: 1) Qinglong Company and the local government authority entering into an agreement in relation to the traffic management arrangement and adjustment scheme of Shuiguan Expressway on or before 31 December 2016 with a comparable price lower than the preliminary consideration; 2) from the date of signing of the share transfer agreement to 31 December 2016, the aforesaid adjustment agreement not yet being entered into and the relevant government authorities failing to grant the approval for the extension application of Shuiguan Expressway, or if the extension period of the concession granted under the approval being shorter than five years. Based on available information and data, the Company made the best estimate that Qinglong Company was probable to obtain an approval of additional 4 tolling years before 31 December 2016, and the acquisition consideration of the 10% interests was estimated at RMB266 million.

On 31 December 2016, due to the expectation that the negotiations between the Shenzhen Government and Qinglong Company on the adjustment of fees and charges were not completed before the original adjustment period (31 December 2016), Mei Wah Company, Hetai investment Company which was the former holder of Fameluxe Investment and Huayu Company and its actual controller, Mr. Chen Yangnan signed a Supplemental Agreement to extend the original contract period from 31 December 2016 to 31 December 2018. The conditions that would trigger an adjustment to the consideration were changed to: 1) Shenzhen Government entering into an adjustment fee agreement with Qinglong Company before 31 December 2018 with the comparable price calculated based on the arrangement and the purchase price from the share transfer agreement lower than the preliminary consideration; 2) On or before 31 December 2018, the aforesaid adjustment arrangement not yet being entered into and the relevant government authorities failing to grant the approval for the extension application of Shuiguan Expressway, or if the extension period of concession granted under the approval being shorter than 5 years. The Company made the best estimate based on the available information and data, and considered that Qinglong Company would sign the adjustment fee agreement before 31 December 2018 and the purchasing price under the agreement would be equal to RMB266 million and lower than the initial consideration as calculated based on the terms set by the share trading agreement, and considered that Qinglong Company was likely to obtain approval for extension of 4 years before 31 December 2018, and accordingly, the purchase price of the 10% equity remained at RMB266 million.

###### (7) Impairment of concession intangible assets

The estimates on the net realizable value should be made when considering the impairment of the concession intangible assets.

When considering the impairment of the concession intangible assets, the management of the Company had calculated the future cash flows of the toll roads and determined the recoverable amount. The key assumptions of this calculation included the estimated growth rate of the traffic volume, the standards of toll road charge, operating period, maintenance cost and required return rate. Under the previous assumptions, the Group's management considered that a concession intangible asset has a recoverable amount higher than the book value, and therefore the impairment of a concession intangible asset is not necessary during the current period. The Group is going to examine the relevant items closely and continually. Adjustments will be made during the corresponding period once there is any indication for adjustment of the accounting estimates.



## Shenzhen Expressway Company Limited

### Notes to Financial Statements

31 December 2017

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#### IV. Taxation

##### 1. Main categories and rates of taxes:

Category	Tax base	Tax rate
Value added tax ("VAT")	Real estate development income	11%
VAT	Entrusted management income revenue from businesses other than expressway toll road (from 1 May 2016)	6%
VAT	Taxable advertisement income	6%
VAT	Real estate development income and property operating lease income	5%(simply impose)
VAT	Revenue from expressway toll road business (from 1 May 2016)	3%
Business tax	Entrusted management income and revenue from businesses other than expressway toll road (from 1 January 2016 to 30 April 2016)	5%
Business tax	Revenue from expressway toll road business (from 1 January 2016 to 30 April 2016)	3%
City maintenance and construction tax	Amount of commodity turnover tax paid	7%
Educational surcharge	Amount of commodity turnover tax paid	3%
Local educational surcharge	Amount of commodity turnover tax paid	2%
Construction fee for culture undertakings	Amount of advertising turnover	3%
Corporate income tax ("CIT")	Taxable income	Except the companies in the nest chart, 25%
Land appreciation tax	The gain on the transfer of real estate	Four level progressive rates, 30%-60%

The different CIT rate used by the Company's subsidiary is disclosed as follows:

The Company	Applicable tax rate
Fameluxe Company (1)	16.5%

(1) Fameluxe Company is incorporated in Hong Kong with an applicable income tax rate of 16.5%.

##### 2. Tax preference

In 2017, there was no tax preference that would have the significant impact on the Group .

##### 3. Others

According to Guoshuihan (2010) No.651, "Reply from the State Administration of Taxation concerning about the recognition as resident enterprises of related overseas enterprises of Shenzhen Expressway Company Limited" issued by the State Administration of Taxation on 30 December 2010, Mei Wah Company, Maxprofit Company and JEL Company were recognized as resident enterprises of China and would be subject to the relevant taxation administration, which came into effect in 2008.

## Shenzhen Expressway Company Limited

### Notes to Financial Statements

31 December 2017

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#### V. Notes to the consolidated financial statements

##### 1. Cash at banks and on hand

Item	31 December 2017	31 December 2016
Cash on hand	10,703,167.75	11,843,113.81
Bank deposits	2,510,562,661.20	5,652,054,726.98
<b>Total</b>	<b>2,521,265,828.95</b>	<b>5,663,897,840.79</b>
Including: cash abroad	125,680,683.47	27,938,618.48

The Company is engaged to manage highway construction projects. As at 31 December 2017, project funds retained for construction management were RMB834,757,405.73 (31 December 2016: RMB1,420,258,174.78). The above project funds retained for construction management and frozen bank balances (if any) were disclosed as restricted bank balances in the cash flow statement (Note V.51(2)).

Current deposits earn interest at the rate based on current deposit interest rates. Maturities of short-term time deposits range from 7 days to 12 months depending on the fund arrangement of the Group. Time deposits earn interest at the relevant rates with different maturities.

##### 2. Financial assets measured at fair value through profit or loss

Item	31 December 2017	31 December 2016
Financial assets designated as at fair value and whose changes are recorded in the current profit or loss/ (Liability are listed with "-")	-71,371,857.30	74,991,317.77
Including: derivative instruments investment/ (Liability are listed with "-")	-71,371,857.30	74,991,317.77
<b>Total</b>	<b>-71,371,857.30</b>	<b>74,991,317.77</b>

The derivative financial assets/liabilities measured at fair value through profit or loss are foreign exchange swap and foreign exchange forward contracts. On 18 July 2016, the Company issued a 5-year long-term bonds whose face value was 300,000,000.00 United States Dollar ("USD"). On 27 July 2016, the Company signed a USD155,000,000.00 and a USD140,000,000.00 foreign exchange swaps with China Merchants Bank and CITIC Bank, which were matured on 27 July 2017 and 31 July 2017 respectively. The Company signed USD100,000,000.00 and USD50,000,000.00 foreign exchange swap with China Merchants Bank and China CITIC Bank in July 2017 respectively, and the swaps will expire on 27 July 2018 and 31 July 2018. On 25 July 2017 the Company signed a USD50,000,000.00 foreign exchange forward and foreign exchange capped forward of USD100,000,000.00 due to mature on 25 July 2018 with Bank of China. For the year ended 31 December 2017, a fair value loss of RMB146,363,175.07 was recognized (For the year ended 31 December 2016, a fair value profit of RMB74,991,317.77 was recognized) (Note V.42).

**Shenzhen Expressway Company Limited**

**Notes to Financial Statements**

**31 December 2017**

(All amounts in RMB unless otherwise stated)

**V. Notes to the consolidated financial statements (continued)**

**3. Accounts receivable**

Trade receivables are interest free with a credit period of one to six months in general.

**(1) Accounts receivable are analysed by category as follows:**

Category	31 December 2017					31 December 2016				
	Ending balance		Provision for bad debts		Book value	Ending balance		Provision for bad debts		Book value
	Amount	% of total balance	Amount	% of total balance		Amount	% of total balance	Amount	% of total balance	
Individually significant and provision separately assessed	-	-	-	-	-	-	-	-	-	-
Receivables that are subject to provision by group with similar credit risk characteristics	215,988,498.44	100.00	450,000.00	0.21	215,538,498.44	545,051,289.43	100.00	-	-	545,051,289.43
Group 1	134,687,550.69	62.36	-	-	134,687,550.69	475,473,402.86	87.23	-	-	475,473,402.86
Group 2	81,300,947.75	37.64	450,000.00	0.55	80,850,947.75	69,577,886.57	12.77	-	-	69,577,886.57
Individually not significant but provision separately assessed	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>215,988,498.44</b>	<b>100.00</b>	<b>450,000.00</b>	<b>0.21</b>	<b>215,538,498.44</b>	<b>545,051,289.43</b>	<b>100.00</b>	-	/	<b>545,051,289.43</b>

An aging analysis of the accounts receivable in Group 2 is as follows:

Aging	31 December 2017			31 December 2016		
	Accounts receivable	Provision for bad debts	% of total balance	Accounts receivable	Provision for bad debts	% of total balance
Within 1 year	79,994,316.20	-	-	69,127,886.57	-	-
1 to 2 years	856,631.55	-	-	450,000.00	-	-
2 to 3 years	450,000.00	450,000.00	100%	-	-	-
Over 3 years	-	-	-	-	-	-
<b>Total</b>	<b>81,300,947.75</b>	<b>450,000.00</b>	<b>-</b>	<b>69,577,886.57</b>	<b>-</b>	<b>-</b>

**(2) Accumulated accounts receivable from the five largest debtors:**

	Balance	Provision for bad debts	% of total balance
Total accumulated accounts receivable from the five largest debtors at 31 December 2017	138,760,608.16	-	64.24%
Total accumulated accounts receivable from the five largest debtors at 31 December 2016	478,874,887.31	-	87.86%

**(3) The aging of accounts receivable according to the recognition date is analysed below:**

	31 December 2017	31 December 2016
Within 1 year	149,539,472.05	110,646,743.13
1 to 2 years	23,536,166.98	59,731,559.61
2 to 3 years	34,845,478.28	258,731,262.15
Over 3 years	8,067,381.13	115,941,724.54
<b>Sub-total</b>	<b>215,988,498.44</b>	<b>545,051,289.43</b>
Less: Provision for bad debts	450,000.00	-
<b>Total</b>	<b>215,538,498.44</b>	<b>545,051,289.43</b>

**Shenzhen Expressway Company Limited**

**Notes to Financial Statements**

**31 December 2017**

(All amounts in RMB unless otherwise stated)

**V. Notes to the consolidated financial statements (continued)**

**3. Accounts receivable (continued)**

**(4) The changes in the provision of bad debt are as below:**

	At 1 January	Additions	Reversal	Write-off	Cancel after verification	At 31 December
2017	-	450,000.00	-	-	-	450,000.00
2016	-	-	-	-	-	-

**4. Advances to suppliers**

**(1) Advances to suppliers presented on the basis of their respective nature:**

	31 December 2017	31 December 2016
Prepaid land-transferring fund	286,303,642.03	226,901,955.83
Other	25,599,395.90	19,083,711.30
<b>Total</b>	<b>311,903,037.93</b>	<b>245,985,667.13</b>

As at 31 December 2017, the amount represents payment of land-transferring fund and related deed taxes made by Guishen Company and its subsidiaries, as a result of tender for land use right of a piece of land located in Longli County, Guizhou Province with an area of approximately 794.18 mu. The amount was recorded in prepayment as the delivery conditions in the acquisition contract had not been met. The Company plans to transfer the land use right in the open market, develop the land on its own or through cooperation with others to realize the value of the land.

**(2) The aging analysis of advances to suppliers is as below:**

Aging	31 December 2017		31 December 2016	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	79,037,423.00	25.34	103,444,593.16	42.05
1 to 2 years	91,867,638.56	29.45	58,863,155.27	23.93
2 to 3 years	57,415,057.67	18.41	83,565,125.70	33.97
Over 3 years	83,582,918.70	26.80	112,793.00	0.05
<b>Total</b>	<b>311,903,037.93</b>	<b>100.00</b>	<b>245,985,667.13</b>	<b>100.00</b>

As at 31 December 2017, advances to suppliers over 1 year mainly comprised prepayments for acquisition of land use rights and construction payment. The advances to suppliers have not been carried over because the delivery conditions of the rights specified in the acquisition contracts had not been met or the contracts have not been completed.

**(3) Accumulated advances to the five largest suppliers**

Total accumulated advances to the five largest suppliers	Amount	% of total balance
31 December 2017	295,105,055.31	94.61%
31 December 2016	233,892,495.67	95.08%

**Shenzhen Expressway Company Limited**

**Notes to Financial Statements**

**31 December 2017**

(All amounts in RMB unless otherwise stated)

**V. Notes to the consolidated financial statements (continued)**

**5. Other receivables**

**(1) Other receivables are analysed by category as follows:**

Item	31 December 2017					31 December 2016				
	Ending balance		Provision for bad debts		Book value	Ending balance		Provision for bad debts		Book value
	Amount	% of total balance	Amount	% of total balance		Amount	% of total balance	Amount	% of total balance	
Individually significant and provision separately assessed	-	-	-	-	-	-	-	-	-	-
Receivables that are subject to provision by group with similar credit risk characteristics	170,155,612.51	100.00	-	-	170,155,612.51	99,297,652.11	100.00	-	-	99,297,652.11
Group 1	30,305,433.29	17.81	-	-	30,305,433.29	81,385,935.65	81.96	-	-	81,385,935.65
Group 2	139,850,179.22	82.19	-	-	139,850,179.22	17,911,716.46	18.04	-	-	17,911,716.46
Individually not significant but provision separately assessed	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>170,155,612.51</b>	<b>100.00</b>	<b>-</b>	<b>-</b>	<b>170,155,612.51</b>	<b>99,297,652.11</b>	<b>100.00</b>	<b>-</b>	<b>-</b>	<b>99,297,652.11</b>

An aged analysis of the other receivables in Group 2 is as follows:

Aging	31 December 2017			31 December 2016		
	Accounts receivable	Provision for bad debts	% of total balance	Accounts receivable	Provision for bad debts	% of total balance
Within 1 year	135,585,651.29	-	-	14,145,835.77	-	-
1 to 2 years	2,140,834.62	-	-	1,136,944.34	-	-
2 to 3 years	1,080,967.86	-	-	2,628,936.35	-	-
Over 3 years	1,042,725.45	-	-	-	-	-
<b>Total</b>	<b>139,850,179.22</b>	<b>-</b>	<b>-</b>	<b>17,911,716.46</b>	<b>-</b>	<b>-</b>

The nature of other receivables from third party with an age of more than 3 years should be the deposit and quality assurance. According to the Group's accounting policy III.10(2), no provision for bad debts should be made for this type of receivables.

**(2) Other receivables by nature are analysed as follows:**

Nature	31 December 2017	31 December 2016
Advances	133,439,169.42	56,671,625.89
The multi-junction tax of the government compensation of Meiguan Expressway Extension	27,103,668.81	-
Administrative imprest	3,338,663.37	3,264,894.25
Staff advances	1,665,864.82	2,843,026.52
Refund of land property changes receivable	-	26,451,077.06
Guarantee deposit for equity auction	-	5,000,000.00
Others	4,608,246.09	5,067,028.39
<b>Total</b>	<b>170,155,612.51</b>	<b>99,297,652.11</b>

**Shenzhen Expressway Company Limited**

**Notes to Financial Statements**

**31 December 2017**

(All amounts in RMB unless otherwise stated)

**V. Notes to the consolidated financial statements (continued)**

**(3) The five largest other receivables are analysed as follows:**

**31 December 2017**

Company name	Nature	31 December 2017	Aging	% of total balance	Provision for bad debts
Shenzhen-Shanwei Special Cooperation Zone Development and Construction Co., Ltd.	Receivables in relation to the advances of the toll adjustment and newly built support facility for the comprehensive management project of Nanmen River	129,777,633.41	Within 2 years	76.27	-
Tax Authorities	The multi-junction tax of the government compensation	27,103,668.81	Within 1 year	15.93	-
Nanguang special inspection station	Advances of water and electricity expenses	1,187,778.47	Over 3 years	0.70	-
Sun Hung Kai Real Estate Agency Co., Ltd.	Deposit	880,004.09	Within 3 years	0.52	-
Jiangsheng Real Estate Development(Shenzhen) Co., Ltd.	Premium for lease	829,074.00	2 to 3 year	0.49	-
<b>Total</b>	<b>/</b>	<b>159,778,158.78</b>	<b>/</b>	<b>93.91</b>	<b>-</b>

**31 December 2016**

Company name	Nature	31 December 2016	Aging	% of total balance	Provision for bad debts
The Government of Longhua District, Shenzhen	Receivables in relation to the advances of the toll adjustment and newly built support facility of Meiguan Expressway	54,353,901.07	Within 1 year	54.74	-
The Government of Longli County, Guizhou Province	Refund of land property changes receivable	26,451,077.06	Within 1 year	26.64	-
Shenzhen Ping An Innovation Capital Investment Co., Ltd ("Ping An Innovation")	Guarantee money for transfer of shares	5,000,000.00	Within 1 year	5.04	-
Nanguang special inspection station	Advances of water and electricity expenses	1,187,778.47	Over 3 years	1.20	-
Sun Hung Kai Real Estate Agency Co., Ltd.	Deposit	941,695.97	1 to 2 years	0.94	-
<b>Total</b>	<b>/</b>	<b>87,934,452.57</b>	<b>/</b>	<b>88.56</b>	<b>-</b>

**(4) The aging of other receivables according to the recognition date is analysed below:**

	31 December 2017	31 December 2016
Within 1 year	162,854,912.14	92,572,648.95
1 to 2 years	2,367,884.62	1,136,944.34
2 to 3 years	1,080,967.86	3,969,280.35
Over 3 years	3,851,847.92	1,618,778.47
<b>Total</b>	<b>170,155,612.54</b>	<b>99,297,652.11</b>

## Shenzhen Expressway Company Limited

### Notes to Financial Statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 6. Inventories

##### (1) Inventory classification

Item	31 December 2017			31 December 2016		
	Carrying amount	Allowance for impairment	Net book amount	Carrying amount	Allowance for impairment	Net book amount
Properties held for development (a)	295,767,370.60	-	295,767,370.60	408,182,694.46	-	408,182,694.46
Properties under development (b)	211,699,556.05	-	211,699,556.05	176,361,556.55	-	176,361,556.55
Properties held for sale(c)	87,090,276.78	-	87,090,276.78	74,804,315.38	-	74,804,315.38
Toll tickets	3,861,116.14	-	3,861,116.14	2,843,991.28	-	2,843,991.28
Maintenance and repair parts	540,875.01	-	540,875.01	619,479.01	-	619,479.01
Low value consumables	295,341.48	-	295,341.48	301,484.83	-	301,484.83
<b>Total</b>	<b>599,254,536.06</b>	<b>-</b>	<b>599,254,536.06</b>	<b>663,113,521.51</b>	<b>-</b>	<b>663,113,521.51</b>

(a) Properties under developed were the lands held by the Group located in Longli County to be developed, among which the lands held by Guizhou Shenzhen Expressway Land Co., Ltd. (Guizhou Land) were parts of the land planned to be developed under Phase II to Phase V of "Interlaken Town Project".

(b) Properties under development

Name of project	Start time	Estimated completion date	The amount of estimated investment	Ending balance on 31 December 2017	Opening balance on 1 January 2017
Phase I Stage II of "Interlaken Town Project"	April 2016	Completed	260,000,000.00	-	103,741,414.11
Phase II Stage I of "Interlaken Town Project"	May 2017	May 2019	450,000,000.00	132,983,866.58	-
Public area	December 2015	-	-	78,715,689.47	72,620,142.44
<b>Total</b>	-	-	<b>710,000,000.00</b>	<b>211,699,556.05</b>	<b>176,361,556.55</b>

(c) The first phase of Phase I of Phase I of Interlaken Town completion area of 38,768.63 Square meter in 2016 with a delivery of 37,195.49 square meters in completed area, of which 7,876.75 square meters was carried forward for the year and the remaining salable area of 1573.14 square meters. The second phase of Phase I of Phase I of Interlaken Town achieved a total completion area of 37,851.56 square meters in 2017 with a delivery of 26,526.68 Square meter in completed area and the remaining salable area of 11,324.88 square meters.

##### (2) Borrowing cost capitalization

During the period, the capitalized borrowing cost on properties under development for the Group was RMB755,277.56. The capitalization ratio used to determine the capitalized amount was 4.35%. (2016: the capitalized borrowing cost was RMB2,850,853.83 and the capitalization ratio was 4.51%).

## Shenzhen Expressway Company Limited

### Notes to Financial Statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 7. Current portion of non-current assets

Item	31 December 2017	31 December 2016
Receivables from Longli BT Project (Note V.11(1)(b))	79,908,301.90	103,789,895.59
Receivables due from the Shenzhen Government in relation to the compensation of the toll adjustment of Meiguan Expressway (Note V.11(1)(c))	-	20,379,244.25
<b>Total</b>	<b>79,908,301.90</b>	<b>124,169,139.84</b>

##### 8. Other current assets

Item	31 December 2017	31 December 2016
Prepaid tax	25,996,264.62	14,329,427.09
Pending deduction of input value-added tax	13,370,726.88	-
Financial products	-	550,000,000.00
<b>Total</b>	<b>39,366,991.50</b>	<b>564,329,427.09</b>

As at 31 December 2017, the Group had no financial products. As at 31 December 2016, financial products recognized as other current assets including Ping An Bank capital protected wealth management products of RMB150 million, the National Development Bank capital protected wealth management products of RMB100 million, Zhuhai Huarun bank capital protected wealth management products of RMB100 million and Huaxing bank capital protected wealth management products of RMB200 million. The terms of such financial products were less than half a year. For the year ended 31 December 2017, the Group had redeemed such financial products.

##### 9. Long-term prepayments

Item	31 December 2017	31 December 2016
Construction prepayments from the Shenzhen Outer Ring Expressway Investment Company Limited (Outer Ring Company)	323,666,637.88	181,368,018.86
Prepayments for resettlement	3,329,760.00	3,329,760.00
<b>Total</b>	<b>326,996,397.88</b>	<b>184,697,778.86</b>

At 31 December 2017, the Outer Ring Company had prepaid the construction funds for Baoan District and Longgang District in Outer Ring Expressway amounting to RMB323,666,637.88. The prepayments will be settled according to the progress of the construction.



## Shenzhen Expressway Company Limited

### Notes to Financial Statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 10. Available-for-sale financial assets

###### (1) General information of available-for-sale financial assets

Item	31 December 2017			31 December 2016		
	Carrying amount	Allowance for impairment	Net book amount	Carrying amount	Allowance for impairment	Net book amount
Available-for-sale equity instruments:						
Measured at cost	106,557,169.78	-	106,557,169.78	43,490,000.00	-	43,490,000.00
<b>Total</b>	<b>106,557,169.78</b>	<b>-</b>	<b>106,557,169.78</b>	<b>43,490,000.00</b>	<b>-</b>	<b>43,490,000.00</b>

###### (2) Available-for-sale financial assets measured at costs

Investee	Carrying amount				Allowance for impairment				Share holding (%)	Cash dividends during the period
	Opening balance	Additional during the period	Deduction during the period	Closing balance	Opening balance	Additional during the period	Deduction during the period	Closing balance		
Guangdong United Electronic Services Company Limited ("United Electronic Company")	43,490,000.00	-	-	43,490,000.00	-	-	-	-	12.86	-
Shenzhen Water Planning&Design Institute Company Limited (a)	-	63,067,169.78	-	63,067,169.78	-	-	-	-	15.00	-
<b>Total</b>	<b>43,490,000.00</b>	<b>63,067,169.78</b>	<b>-</b>	<b>106,557,169.78</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

- (a) On 13 July 2017, Shenzhen Expressway Company Limited signed the agreement of capital expansion with Shenzhen Investment Holdings Company Limited ("Shenzhen Investment Holdings Company"), Shenzhen Water Planning&Design Institute Company Limited ("Water Planning&Design Institute Company") and other investors. According to this agreement, Shenzhen Expressway Company decided to increase the investment to the Water Planning&Design Institute Company of an amount of RMB61.89 million, which is 15% of the share capital of the Water Planning&Design Institute Company after the increase. The transaction was completed at the price of RMB10.315 per share. Shenzhen Expressway Company made the full payment on 19 July 2017. The expense directly related to the transaction was RMB1,177,169.78. On 28 August, the Water Planning&Design Institute Company completed the business registration of change.

## Shenzhen Expressway Company Limited

### Notes to Financial Statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 11. Long-term receivables

###### (1) General information:

Item	31 December 2017			31 December 2016			Range of discount rate
	Carrying amount	Bad debt provision	Net book amount	Carrying amount	Bad debt provision	Net book amount	
Construction revenue receivables from Yanjiang Phase I (a)	241,868,601.95	-	241,868,601.95	-	-	-	4.5%
Due from Guizhou Longli County Government in relation to the project management services provided to Longli BT Project (b)	79,908,301.90	-	79,908,301.90	103,789,895.59	-	103,789,895.59	9%
Receivables from the Shenzhen Government in relation to the compensation resulted from the toll adjustment of Meiguan Expressway (c)	-	-	-	20,379,244.25	-	20,379,244.25	4.75%-6.15%
Compensation interest receivable due from Shenzhen Government related to toll adjustment of Yanba, Yanpai and Nanguang ("Three Expressways")	12,019,232.87	-	12,019,232.87	12,019,232.87	-	12,019,232.87	-
Receivable on Billboard quality deposits	4,500,000.00	-	4,500,000.00	4,500,000.00	-	4,500,000.00	-
Sub-total	338,296,136.72	-	338,296,136.72	140,688,372.71	-	140,688,372.71	/
Less: Current portion	79,908,301.90	-	79,908,301.90	124,169,139.84	-	124,169,139.84	/
<b>Total</b>	<b>258,387,834.82</b>	<b>-</b>	<b>258,387,834.82</b>	<b>16,519,232.87</b>	<b>-</b>	<b>16,519,232.87</b>	<b>/</b>

- (a) According to the minutes of the meeting on investment and financing of the second phase project of Shenzhen Coastal expressway, Phase II of Coastal expressway will be planned as one project along with phase I of the Yanjiang expressway and be settled after completion. As of 31 December 2017, the revenue from the construction along the Coastal phase I amounting to RMB241,868,601.95, which is expected to be recovered in installments in 2020 and 2021. Discounted interest expense confirmed in current year is RMB39,387,094.44.
- (b) The Longli BT project entrusted to Guishen Company was completed at the end of 2014. As at 31 December 2017, accounts receivable due from Longli BT project amounting to RMB 79,908,301.90, was expected to be received within one year. For the current period, RMB7,261,720.02 (the same period in 2016: RMB9,604,158.35) was recognized as interest income based on the effective interest method.
- (c) The Company and Meiguan Company (a subsidiary of the Company) entered into an Agreement on the compensation of the adjustment of Meiguan Expressway and transfer of related assets (the "Adjustment Agreement") with Shenzhen Transportation Bureau and Shenzhen Longhua New Area Administrative Committee who represented the People's Government of Shenzhen on 27 January 2014. Pursuant to the Adjustment Agreement, the section of Meiguan Expressway from Meilin to Guanlan with a distance measured at approximately 13.8 km was toll-free from the midnight of 31 March 2014. The People's Government of Shenzhen undertook to make cash compensation to the Company. In the current year, according to the submission of the audit report issued by the Shenzhen Municipal Government Investment Audit Bureau, the compensation and interest income for the expansion of the Meiguan adjusted fee items was reversed by RMB53,628,602.05. Correspondingly, the balance of long-term receivables was reversed by RMB20,379,244.25 and other payables amounting to RMB33,249,357.80 was recognised.

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

#### 12. Long-term equity investments

2017

Investee	31 December 2016	Current period movement					31 December 2017	Share holding (%)	Impairment provided in the current period
		Current period additions	Investment income / loss recognized under	Cash dividend declared	Investment cost recovered	Others			
<b>Joint ventures</b>									
Shenchang Company (1)	166,160,042.14	-	7,079,749.78		-11,058,312.73	-162,181,479.19	-	51	-
Sub-total	166,160,042.14	-	7,079,749.78		-11,058,312.73	-162,181,479.19	-	/	-
<b>Associates</b>									
Shenzhen Expressway Engineering Consulting Company("Consulting Company")	44,704,298.83	-	10,039,887.77	-1,260,000.00	-	-	53,484,186.60	24	-
Shenzhen Huayu expressway investment company ("Huayu" company)	52,745,170.55	-	8,233,601.95	-8,233,601.95	-7,766,398.05	-	44,978,772.50	40	-
Guangdong Jiangzhong Expressway Company Limited ("Jiangzhong Company")	303,593,845.96	-	22,111,131.20	-18,402,818.50	-	-	307,302,158.66	25	-
Nanjing Yangtze River Third Bridge Company Limited ("Nanjing Third Bridge Company")	301,541,842.94	-	44,075,730.38	-44,075,730.38	-15,225,605.19	-	286,316,237.75	25	-
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	291,675,894.82	-	84,064,090.85	-38,313,761.00	-	-	337,426,224.67	25	-
Guangzhou Western Second Ring Expressway Company Limited ("GZ W2 Company")	248,169,322.23	-	49,124,097.12	-42,646,300.00	-	-	254,647,119.35	25	-
Yunfu Guangyun Expressway Company Limited ("Guangyun Company")	81,305,717.98	-	38,578,834.97	-38,578,834.97	-6,421,165.03	-	74,884,552.95	30	-
Guizhou Hengtongli Property Company Limited ("Guizhou Hengtongli")	42,265,929.51	-	-	-	-	-	42,265,929.51	49	-
Shenzhen International United Land Company Limited ("Unit Land Company")	2,445,503,789.24	-	-349,374.21	-	-	-	2,445,154,415.03	49	-
Bank of Guizhou Co., Limited ("Bank of Guizhou") (2)	725,615,651.97	-	100,300,859.14	-29,085,863.01	-	10,036,584.04	806,867,232.14	3.78	-
Chongqing Derun Environment Co., Limited ("Derun Environment") (3)	-	4,415,582,466.80	125,957,501.97	-119,600,000.00	-	-11,014,517.02	4,410,925,451.75	20	-
Sub-total	4,537,121,464.03	4,415,582,466.80	482,136,361.14	-340,196,909.81	-29,413,168.27	-977,932.98	9,064,252,280.91	/	-
<b>Total</b>	4,703,281,506.17	4,415,582,466.80	489,216,110.92	-340,196,909.81	-40,471,481.00	-163,159,412.17	9,064,252,280.91	/	-

Shenzhen Expressway Company Limited

Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

V. Notes to the consolidated financial statements (continued)

12. Long-term equity investments (continued)

2016

Investee	31 December 2015	Current period movement						31 December 2016	Share holding (%)	Impairment provided in the current period	
		Current period Additions	Additional injection	Investment income/loss recognized under equity method	Cash dividend declared	Investment cost recovered	Provision for impairment				Others
<b>Joint ventures</b>											
Shenchang Company (1)	161,475,129.93	-	-	26,306,939.44	-	-21,622,027.23	-	-	166,160,042.14	51	-
Gansu Provincial Highway Aviation Tourism Consulting Limited ("Gansu Provincial Highway Aviation")	4,103,978.37	-	-	-1,247,048.50	-	-	-2,856,929.87	-	-	-	-
Sub-total	165,579,108.30	-	-	25,059,890.94	-	-21,622,027.23	-2,856,929.87	-	166,160,042.14	/	-
<b>Associates</b>											
Consulting Company	-	43,747,176.00	-	957,122.83	-	-	-	-	44,704,298.83	24	-
Huayu Company	47,964,606.61	-	-	4,780,563.94	-	-	-	-	52,745,170.55	40	-
Jiangzhong Company	298,919,348.04	-	-	16,671,997.92	-11,997,500.00	-	-	-	303,593,845.96	25	-
Nanjing Third Bridge Company	297,424,178.00	-	-	36,217,363.86	-32,099,698.92	-	-	-	301,541,842.94	25	-
Yangmao Company	288,402,269.13	-	-	79,994,782.70	-76,721,157.01	-	-	-	291,675,894.82	25	-
GZ W2 Company	239,036,185.76	-	-	34,133,136.47	-25,000,000.00	-	-	-	248,169,322.23	25	-
Guangyun Company	95,478,776.61	-	-	45,826,941.37	-45,826,941.37	-14,173,058.63	-	-	81,305,717.98	30	-
Guizhou Hengtongli	-	42,265,929.51	-	-	-	-	-	-	42,265,929.51	49	-
Unit Land Company	550,085,552.14	-	1,896,300,000.00	-881,762.90	-	-	-	-	2,445,503,789.24	49	-
Bank of Guizhou (2)	-	664,560,000.00	-	63,335,490.29	-	-	-	-2,279,838.32	725,615,651.97	4.41	-
Sub-total	1,817,310,916.29	750,573,105.51	1,896,300,000.00	281,035,636.48	-191,645,297.30	-14,173,058.63	-	-2,279,838.32	4,537,121,464.03	/	-
<b>Total</b>	<b>1,982,890,024.59</b>	<b>750,573,105.51</b>	<b>1,896,300,000.00</b>	<b>306,095,527.42</b>	<b>-191,645,297.30</b>	<b>-35,795,085.86</b>	<b>-2,856,929.87</b>	<b>-2,279,838.32</b>	<b>4,703,281,506.17</b>	<b>/</b>	<b>-</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 12. Long-term equity investments (continued)

- (1) Shenchang Company's registered and main operated locations are in China. As at 1 April 2017, Shenchang Company became a subsidiary of the Company. Please refer to Note VI.1.
- (2) On 17 June 2016, in accordance with the approval and authorisation of the general meeting of Guizhou Bank, the Company got a place in board of directors of Guizhou Bank. Because of Guizhou Bank's decentralized equity, the Company became the fourth largest shareholder of Guizhou Bank and had significant influence on its operation. Therefore the Company accounted for Guizhou Bank as an associate under the equity method. In 2017, the third party company made capital injections to Guizhou Bank. The board remain the same while the Company's shareholding of Guizhou Bank decreased from 4.41% to 3.78%, and the Company still keeps the place of the fourth largest shareholder of Guizhou Bank. The Company increased its capital reserve by RMB16,465,915.52. Additionally, an adjustment of decreasing the other comprehensive income by RMB6,429,331.48 was made due to the other comprehensive loss of approximately in Guizhou Bank.
- (3) On 25 May 2017, the Company's wholly-owned subsidiary Shenzhen Expressway Environment Construction Management Co., LTD ("Environment Company") signed a property transaction contract with Chongqing Water Property Management Co., LTD ("Water Property") pursuant to which Environment Company purchase 20% of equity of Derun Environment at a consideration of RMB408,644,500.00. On 6 June 2017, the transaction was completed by paying a transaction fee and stamp tax of RMB6,937,966.80, and the equity was transferred on the same day. As a result of the transfer, Derun Environment became an associate of the Company and is accounted for using equity method. In addition, an adjustment of increasing the other comprehensive income by RMB1,603,995.68 was due to the movement of the other comprehensive income in Derun Environment. An adjustment of decreasing capital reserve by RMB12,618,512.70 was due to the movement of the capital reserve in Derun Environment.
- (4) The percentage of ownership interest of the associated enterprise holds is the same as the percentage of its voting power.

##### 13. Investment Properties

Subsequently measured at cost:

Item	31 December 2017	31 December 2016
1. Cost		
Balance c/f	18,180,000.00	18,180,000.00
Balance b/d	18,180,000.00	18,180,000.00
2. Accumulated depreciation		
Balance c/f	4,653,575.00	4,077,875.00
Current period additions	575,700.00	575,700.00
-Addition	575,700.00	575,700.00
Balance b/d	5,229,275.00	4,653,575.00
3. Carrying amount		
Balance c/f	12,950,725.00	13,526,425.00
Balance b/d	13,526,425.00	14,102,125.00

The investment properties are leased to the third parties in the form of operating lease.

\*The Group's investment properties are all located at the mainland of China and held in the form of mid-term lease.

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

#### 13. Investment Properties (continued)

On 31 December 2017, the investment without certificates of ownership are listed as follows:

	Carrying amount	Reason for certificates of ownership not available
The parking lot beneath the Jiangsu Building	12,950,725.00	All the certificates of ownership of the parking lots in Shenzhen are not available

#### 14. Fixed assets

##### (1) Fixed asset movement

2017

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
<b>1. Cost</b>					
31 December 2016	716,952,104.23	1,330,920,369.62	28,880,912.12	45,191,677.67	2,121,945,063.64
Current period additions	23,599,812.51	47,528,487.67	2,328,972.94	12,836,507.77	86,293,780.89
-Purchase	643,699.77	4,545,731.60	893,773.62	6,074,701.08	12,157,906.07
-Construction in progress	1,215,066.93	8,366,244.02	-	196,317.00	9,777,627.95
-Addition from business combinations involving enterprises not under common control	21,741,045.81	34,616,512.05	1,435,199.32	6,565,489.69	64,358,246.87
Current period reductions	157,251.20	4,921,325.19	2,145,258.10	4,977,264.47	12,201,098.96
-Other disposal	157,251.20	4,921,325.19	2,145,258.10	4,977,264.47	12,201,098.96
31 December 2017	740,394,665.54	1,373,527,532.10	29,064,626.96	53,050,920.97	2,196,037,745.57
<b>2. Accumulated depreciation</b>					
31 December 2016	227,429,116.76	814,243,704.37	21,951,848.78	30,567,279.72	1,094,191,949.63
Current period additions	34,231,089.29	111,524,593.34	2,616,725.29	4,731,169.68	153,103,577.60
-Addition	34,231,089.29	111,524,593.34	2,616,725.29	4,731,169.68	153,103,577.60
Current period reductions	133,101.04	2,161,142.12	2,027,192.04	4,616,323.45	8,937,758.65
-Other reductions	133,101.04	2,161,142.12	2,027,192.04	4,616,323.45	8,937,758.65
31 December 2017	261,527,105.01	923,607,155.59	22,541,382.03	30,682,125.95	1,238,357,768.58
<b>3. Net book value</b>					
31 December 2017	478,867,560.53	449,920,376.51	6,523,244.93	22,368,795.02	957,679,976.99
31 December 2016	489,522,987.47	516,676,665.25	6,929,063.34	14,624,397.95	1,027,753,114.01

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

#### 14. Fixed assets (continued)

##### (1) Fixed asset movement (continued)

2016

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
<b>1. Cost</b>					
31 December 2015	712,930,449.33	1,294,442,284.40	37,930,799.91	80,544,195.74	2,125,847,729.38
Current period additions	4,898,163.90	36,478,085.22	2,035,668.09	6,162,924.05	49,574,841.26
-Purchase	4,742,163.90	12,791,830.83	2,035,668.09	5,508,569.33	25,078,232.15
-Construction in progress	156,000.00	23,686,254.39	-	654,354.72	24,496,609.11
Current period reductions	876,509.00	-	11,085,555.88	41,515,442.12	53,477,507.00
-Other disposal	-	-	1,607,448.00	1,576,008.39	3,183,456.39
-Disposal of subsidiaries	876,509.00	-	9,478,107.88	39,939,433.73	50,294,050.61
31 December 2016	716,952,104.23	1,330,920,369.62	28,880,912.12	45,191,677.67	2,121,945,063.64
<b>2. Accumulated depreciation</b>					
31 December 2015	193,961,459.14	701,557,853.73	25,699,068.14	48,417,687.68	969,636,068.69
Current period additions	33,551,656.39	112,685,850.64	4,121,503.70	7,926,884.52	158,285,895.25
-Addition	33,551,656.39	112,685,850.64	4,121,503.70	7,926,884.52	158,285,895.25
Current period reductions	83,998.77	-	7,868,723.06	25,777,292.48	33,730,014.31
-Other reductions	-	-	1,477,703.20	1,501,803.30	2,979,506.50
-Disposal of subsidiaries	83,998.77	-	6,391,019.86	24,275,489.18	30,750,507.81
31 December 2016	227,429,116.76	814,243,704.37	21,951,848.78	30,567,279.72	1,094,191,949.63
<b>3. Net book value</b>					
31 December 2016	489,522,987.47	516,676,665.25	6,929,063.34	14,624,397.95	1,027,753,114.01
31 December 2015	518,968,990.19	592,884,430.67	12,231,731.77	32,126,508.06	1,156,211,660.69

##### (2) Fixed assets without certificates of ownership

On 31 December 2017, the fixed assets without certificates of ownership are listed as follows:

Item	Carrying amount	Reason for lacking certificates of ownership
Buildings	363,574,703.06	As all toll roads and the affiliated buildings and structures would be returned to the government when the approved operating periods expire, the Group has no intention to acquire the related property ownership certificates.

During the period, depreciation expenses amounting to RMB147,867,235.74 were charged to cost of services (the same period in 2016: RMB152,375,094.07), and depreciation expenses amounting to RMB5,204,715.68 were charged to general and administrative expenses (the same period in 2016: RMB5,910,801.18).

**Shenzhen Expressway Company Limited**

**Notes to financial statements**

**31 December 2017**

(All amounts in RMB unless otherwise stated)

**V. Notes to the consolidated financial statements (continued)**

**15. Construction in progress**

**(1) General information of construction in progress**

Item	31 December 2017			31 December 2016		
	Carrying amount	Impairment	Net book amount	Carrying amount	Impairment	Net book amount
Nation-wide ETC toll interconnection project	266,000.00	-	266,000.00	2,142,889.98	-	2,142,889.98
Billboard and light box projects	670,830.18	-	670,830.18	393,471.69	-	393,471.69
Maintenance planning research and basic database construction project for the maintenance of the information platform	1,743,754.46	-	1,743,754.46	1,743,754.46	-	1,743,754.46
Toll station expansion project	7,731,870.05	-	7,731,870.05	1,276,766.00	-	1,276,766.00
First-class weighting equipments project	3,062,567.16	-	3,062,567.16	-	-	-
Fire control system updating project	2,040,276.84	-	2,040,276.84	-	-	-
Toll station weighting equipment movement projects	1,705,350.22	-	1,705,350.22	-	-	-
Video monitoring project	3,612,066.01	-	3,612,066.01	-	-	-
Electromechanical project	-	-	-	3,471,105.22	-	3,471,105.22
Others	8,329,672.95	-	8,329,672.95	4,547,510.46	-	4,547,510.46
<b>Total</b>	<b>29,162,387.87</b>	<b>-</b>	<b>29,162,387.87</b>	<b>13,575,497.81</b>	<b>-</b>	<b>13,575,497.81</b>



**Shenzhen Expressway Company Limited**

**Notes to financial statements**

**31 December 2017**

(All amounts in RMB unless otherwise stated)

**V. Notes to the consolidated financial statements (continued)**

**15. Construction in progress (continued)**

**(2) Movement of significant construction in progress during the period**

**2017**

Item	Budget amount	31 December 2016	Current period additions	Transfer to fixed assets	Other reductions in current period	31 December 2017	The proportion of the current period additions to total budget (%)	Progress of construction	Interest capitalized	Source of funds
Nation-wide ETC toll interconnection project	53 million	2,142,889.98	-	1,355,718.54	521,171.44	266,000.00	-	In progress	-	Self-owned funds
Billboard and light box projects	10 million	393,471.69	448,018.86	170,660.37	-	670,830.18	3.93	In progress	-	Self-owned funds
Maintenance planning research and basic database construction project for the maintenance of the information platform construction project	2.56 million	1,743,754.46	-	-	-	1,743,754.46	-	In progress	-	Self-owned funds
Toll station expansion project	9.7 million	1,276,766.00	6,455,104.05	-	-	7,731,870.05	66.55	In progress	-	Self-owned funds
First-class weighting equipments project	3.33 million	-	3,062,567.16	-	-	3,062,567.16	91.89	In progress	-	Self-owned funds
Fire control system updating project	2.06 million	-	2,040,276.84	-	-	2,040,276.84	99.02	In progress	-	Self-owned funds
Toll station weighting equipments movement projects	2.1 million	-	1,705,350.22	-	-	1,705,350.22	81.19	In progress	-	Self-owned funds
Video monitoring project	3.62 million	-	3,612,066.01	-	-	3,612,066.01	99.78	In progress	-	Self-owned funds
Electromechanical project	5.2 million	3,471,105.22	-	3,471,105.22	-	-	-	Completed	-	Self-owned funds
Others (a)		4,547,510.46	8,564,976.51	4,780,143.82	2,670.20	8,329,672.95	-	In progress	-	Self-owned funds
<b>Total</b>		<b>13,575,497.81</b>	<b>25,888,359.65</b>	<b>9,777,627.95</b>	<b>523,841.64</b>	<b>29,162,387.87</b>	<b>/</b>		<b>-</b>	

**Shenzhen Expressway Company Limited**

**Notes to financial statements**

**31 December 2017**

(All amounts in RMB unless otherwise stated)

**V. Notes to the consolidated financial statements (continued)**

**15. Construction in progress (continued)**

**(2) Movement of significant construction in progress during the period (continued)**

**2016**

Item	Budget amount	31 December 2015	Current period additions	Transfer to fixed assets	Other reductions in Current period	Disposal of subsidiaries	31 December 2016	% contribution in budget of current period	Progress of construction	Interests capitalized	Source of funds
Extension projects of Fumin Station of Airport-Heao Expressway (Eastern Section)	20million	12,330,609.77	2,464,369.96	14,794,979.73	-	-	-	12.32	In progress		Self-owned funds
Toll-by-weight projects	22million	3,126,975.00	1,222,500.00	4,253,774.00	95,701.00	-	-	5.56	Completed		Self-owned funds
Nation-wide ETC toll interconnection project	53million	2,804,935.98	-	662,046.00	-	-	2,142,889.98	-	In progress		Self-owned funds
Billboard and light box projects	10million	559,000.00	779,826.41	810,354.72	135,000.00	-	393,471.69	7.80	In progress		Self-owned funds
Others (a)		10,634,565.67	16,489,615.30	3,975,454.66	7,600,297.04	4,509,293.13	11,039,136.14	-	In progress		Self-owned funds
<b>Total</b>		<b>29,456,086.42</b>	<b>20,956,311.67</b>	<b>24,496,609.11</b>	<b>7,830,998.04</b>	<b>4,509,293.13</b>	<b>13,575,497.81</b>	<b>/</b>			

(a) The amounts of projects were not disclosed respectively as they are not material.

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

#### 16. Intangible assets

##### (1) General information of intangible assets

2017

Item	Concession intangible assets (a)	Office software	Billboard land use rights	Total
<b>1. Cost</b>				
31 December 2016	24,958,118,768.91	15,551,877.67	59,953,840.88	25,033,624,487.46
Current year additions	4,112,369,103.46	777,591.04	2,357,714.40	4,115,504,408.90
- Purchased	-	777,591.04	2,357,714.40	3,135,305.44
- Constructions	745,139,203.42	-	-	745,030,079.42
- Addition from business combinations involving enterprises not under common control	3,367,229,900.04	-	-	3,367,229,900.04
Current year reductions	15,056,826.86	21,398.86	-	15,078,225.72
- Disposal	15,056,826.86	21,398.86	-	15,078,225.72
31 December 2017	29,055,431,045.51	16,308,069.85	62,311,555.28	29,134,050,670.64
<b>2. Accumulated amortisation</b>				
31 December 2016	6,039,535,343.95	8,441,457.76	41,796,242.41	6,089,773,044.12
Current year additions	1,263,245,677.31	2,735,245.82	11,888,245.99	1,277,869,169.12
- Additions	1,263,245,677.31	2,735,245.82	11,888,245.99	1,277,869,169.12
Current year reductions	6,702,992.90	3,689.50	-	6,706,682.40
- Disposal	6,702,992.90	3,689.50	-	6,706,682.40
31 December 2017	7,296,078,028.36	11,173,014.08	53,684,488.40	7,360,935,530.84
<b>3. Impairment</b>				-
31 December 2016	620,000,000.00	-	-	620,000,000.00
31 December 2017	620,000,000.00	-	-	620,000,000.00
<b>4. Net book value</b>				-
31 December 2017	21,139,353,017.15	5,135,055.77	8,627,066.88	21,153,115,139.80
31 December 2016	18,298,583,424.96	7,110,419.91	18,157,598.47	18,323,851,443.34

**Shenzhen Expressway Company Limited**

**Notes to financial statements**

**31 December 2017**

(All amounts in RMB unless otherwise stated)

**V. Notes to the consolidated financial statements (continued)**

**16. Intangible assets (continued)**

**(1) General information of intangible assets (continued)**

**2016**

Item	Concession intangible assets (a)	Office software	Billboard land use rights	Total
<b>1. Cost</b>				
31 December 2015	24,831,125,591.54	27,688,766.60	153,846,610.25	25,012,660,968.39
Current year additions	126,993,177.37	1,799,404.24	-	128,792,581.61
- Purchased	-	1,799,404.24	-	1,799,404.24
- Construction	126,993,177.37	-	-	126,993,177.37
Current year reductions	-	13,936,293.17	93,892,769.37	107,829,062.54
- Disposal subsidiary	-	13,935,555.27	-	13,935,555.27
- Disposal	-	737.90	93,892,769.37	93,893,507.27
31 December 2016	24,958,118,768.91	15,551,877.67	59,953,840.88	25,033,624,487.46
<b>2. Accumulated amortization</b>				
31 December 2015	4,989,822,563.90	6,983,461.64	124,079,168.84	5,120,885,194.38
Current year additions	1,049,712,780.05	5,163,420.28	11,578,597.64	1,066,454,797.97
- Additions	1,049,712,780.05	5,163,420.28	11,578,597.64	1,066,454,797.97
Current year reductions	-	3,705,424.16	93,861,524.07	97,566,948.23
- Disposal subsidiary	-	3,705,424.16	-	3,705,424.16
- Disposal	-	-	93,861,524.07	93,861,524.07
31 December 2016	6,039,535,343.95	8,441,457.76	41,796,242.41	6,089,773,044.12
<b>3. Impairment</b>				
31 December 2015	620,000,000.00	-	-	620,000,000.00
31 December 2016	620,000,000.00	-	-	620,000,000.00
<b>4. Net book value</b>				
31 December 2016	18,298,583,424.96	7,110,419.91	18,157,598.47	18,323,851,443.34
31 December 2015	19,221,303,027.64	20,705,304.96	29,767,441.41	19,271,775,774.01

**Shenzhen Expressway Company Limited**

**Notes to financial statements**

**31 December 2017**

(All amounts in RMB unless otherwise stated)

**V. Notes to the consolidated financial statements (continued)**

**16. Intangible assets (continued)**

**(1) General information of intangible assets (continued)**

(a) The detailed information of concession intangible assets is analysed below:

**2017**

	Cost	31 December 2016	Current year additions	Current year reductions	Current year amortisation	Transfer out current year amortisation	31 December 2017	Accumulated amortisation	Impairment
Qinglian Expressway (b)	9,280,989,698.71	7,212,538,154.17	-	-	230,555,698.95	-	6,981,982,455.22	1,679,007,243.49	620,000,000.00
Nanguang Expressway	2,807,909,473.41	2,336,172,008.82	1,251,096.03	-	90,653,551.40	-	2,246,769,553.45	561,139,919.96	-
Shenzhen Airport-Heao Expressway - Eastern Section	3,086,787,505.32	1,779,279,406.26	-	5,383,006.52	203,076,662.42	3,076,721.42	1,573,896,458.74	1,512,891,046.58	-
Shuiguan Expressway (b)	4,448,811,774.58	4,081,012,258.91	-	-	333,862,190.53	-	3,747,150,068.38	701,661,706.20	-
Yanba Expressway	1,255,412,727.61	904,255,257.60	75,535.50	-	55,268,727.86	-	849,062,065.24	406,350,662.37	-
Wuhuang Expressway	1,523,192,561.64	593,707,024.96	-	-	125,661,698.39	-	468,045,326.57	1,055,147,235.07	-
Meiguan Expressway	604,588,701.64	339,755,770.08	-	9,458,643.91	37,991,519.77	3,594,435.89	295,900,042.29	308,688,659.35	-
Yanpai Expressway	910,532,308.18	530,706,436.99	-	-	42,487,692.38	-	488,218,744.61	422,313,563.57	-
Shenzhen Airport-Heao Expressway - Western Section	843,517,682.25	338,295,790.50	-	-	42,100,583.76	-	296,195,206.74	547,322,475.51	-
Outer Ring Expressway (b)	926,564,764.56	182,861,316.67	743,703,447.89	-	-	-	926,564,764.56	-	-
Yichang Expressway (b)(d)	3,125,293,474.68	-	3,125,293,474.68	-	84,868,557.20	-	3,040,424,917.48	84,868,557.20	-
Changsha Ring Road - Northwestern Section (d)	241,830,372.93	-	242,045,549.36	215,176.43	16,718,794.65	31,835.59	225,143,413.87	16,686,959.06	-
<b>Total of concession intangible assets</b>	<b>29,055,431,045.51</b>	<b>18,298,583,424.96</b>	<b>4,112,369,103.46</b>	<b>15,056,826.86</b>	<b>1,263,245,677.31</b>	<b>6,702,992.90</b>	<b>21,139,353,017.15</b>	<b>7,296,078,028.36</b>	<b>620,000,000.00</b>

**Shenzhen Expressway Company Limited**

**Notes to financial statements**

**31 December 2017**

(All amounts in RMB unless otherwise stated)

**V. Notes to the consolidated financial statements (continued)**

**16. Intangible assets (continued)**

**(1) General information of intangible assets (continued)**

(a) The detailed information of concession intangible assets is analysed below(continued):

**2016**

	Cost	31 December 2015	Current year additions	Current year amortization	31 December 2016	Accumulated amortization	Impairment
Qinglian Expressway	9,280,989,698.71	7,417,405,717.33	-	204,867,563.16	7,212,538,154.17	1,448,451,544.54	620,000,000.00
Nanguang Expressway	2,806,658,377.38	2,417,600,561.86	3,526,553.77	84,955,106.81	2,336,172,008.82	470,486,368.56	-
Shenzhen Airport-Heao Expressway -Eastern Section	3,092,170,511.84	1,962,847,346.57	-	183,567,940.31	1,779,279,406.26	1,312,891,105.58	-
Shuiguan Expressway	4,448,811,774.58	4,394,590,612.30	-	313,578,353.39	4,081,012,258.91	367,799,515.67	-
Yanba Expressway	1,255,337,192.11	955,623,462.74	-	51,368,205.14	904,255,257.60	351,081,934.51	-
Wuhuang Expressway	1,523,192,561.64	689,087,255.88	-	95,380,230.92	593,707,024.96	929,485,536.68	-
Meiguan Expressway	614,047,345.55	374,432,982.97	999,795.48	35,677,008.37	339,755,770.08	274,291,575.47	-
Yanpai Expressway	910,532,308.18	570,311,423.45	-	39,604,986.46	530,706,436.99	379,825,871.19	-
Shenzhen Airport-Heao Expressway -Western Section	843,517,682.25	379,009,175.99	-	40,713,385.49	338,295,790.50	505,221,891.75	-
Outer Ring Expressway	182,861,316.67	60,394,488.55	122,466,828.12	-	182,861,316.67	-	-
<b>Total of Concession intangible assets</b>	<b>24,958,118,768.91</b>	<b>19,221,303,027.64</b>	<b>126,993,177.37</b>	<b>1,049,712,780.05</b>	<b>18,298,583,424.96</b>	<b>6,039,535,343.95</b>	<b>620,000,000.00</b>

(b) The pledge information relating to the concession intangible assets of Qinglian Expressway, Outer Ring Expressway, Yichang Expressway and Shuiguan Expressway are set out in Note V.28(1)(b) and Note V.20(1).

(c) For the year ended 31 December 2017, the amount of amortisation of intangible assets was RMB1,277,869,169.12, which was the same as that charged to the statement of profit or loss and other comprehensive for the year (2016: RMB1,066,454,797.97).

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 16. Intangible assets (continued)

###### (1) General information of intangible assets (continued)

(d) During the year, the current period additions of concession intangible assets mainly include Yi Chang Expressway and Changsha Ring Road due to the business combination involving entities not under common control, with the amount being the fair value on the acquisition date. For details please refer to Note VI.1.

(e) During the year, the Group had capitalized borrowing costs on intangible assets amounting to RMB19,621,913.94 (2016: RMB435,741.47).

\*The land use rights of the Group are located in Mainland China and in the form of concession intangible assets.

##### 17. Deferred tax assets and deferred tax liabilities

###### (1) Deferred tax assets without taking into consideration the offsetting of balances

Item	31 December 2017		31 December 2016	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provisions for maintenance and resurfacing of the toll roads (a)	152,216,309.99	38,054,077.50	151,909,757.93	38,083,478.80
Compensation provided by concession grantors (b)	72,323,501.88	18,080,875.47	76,978,938.56	19,244,734.64
Deductible tax losses (c)	111,656,857.08	27,914,214.27	233,903,147.40	58,475,786.85
Operating compensation of newly built gates of Meiguan Expressway (d)	120,993,632.44	30,248,408.11	134,074,025.09	33,518,506.27
Difference between estimated cost of extension of Meiguan Expressway allocated to Toll Free Section and its preliminary compensation (e)	-	-	54,949,460.88	13,737,365.22
Fair value adjustments arising from business combination not under common control (f)	221,702,314.89	55,425,578.72	-	-
Payroll accrued but not paid	11,682,767.00	2,920,691.75	6,554,327.00	1,638,581.75
Foreign exchange swap (g)	71,371,857.31	17,842,964.33	-	-
Interest expense from agent-construction fee of Coastal Expressway Shenzhen Section Phase I (h)	39,387,094.44	9,846,773.61	-	-
Income tax prepaid due to advances from sales of real estates (i)	26,667,443.08	6,666,860.77	-	-
Other	3,275,415.92	818,853.98	3,968,474.72	992,118.68
<b>Total</b>	<b>831,277,194.03</b>	<b>207,819,298.51</b>	<b>662,338,131.58</b>	<b>165,690,572.21</b>
Including:				
Expected to be utilized within 1 year (including 1 year)		60,237,137.46		36,482,464.15
Expected to be utilized over 1 year		147,582,161.05		129,208,108.06
<b>Total</b>		<b>207,819,298.51</b>		<b>165,690,572.21</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 17. Deferred tax assets and deferred tax liabilities (continued)

###### (1) Deferred tax assets without taking into consideration the offsetting of balances (continued)

- (a) The deferred tax asset was recognized based on the temporary difference generated between the tax base and book value for provisions for maintenance/resurfacing obligations of toll roads.
- (b) The deferred tax asset was recognized based on the temporary difference generated between the tax base and book value of compensation provided by concession grantors in prior years.
- (c) The Group has forecasted the future operating income and profit status of Guangdong Qinglian Highway Development Co., Ltd. ("Qinglian Company"), and on this basis, it predicts whether Qinglian Company will make up for the deductible losses incurred in previous years in the coming years, and therefore the deferred tax assets were recognized for the temporary differences in the estimated deductible losses.
- (d) In 2015, the Group received a prepayment from the Shenzhen Government for compensation for the toll adjustment of Meiguan Expressway, and recognized the differences between the tax base and book value as deferred tax assets.
- (e) The Group recognized the difference between estimated costs of extension allocated to the Toll Free Section and its preliminary compensation according to the Toll Adjustment Agreement of Meiguan Expressway as deferred tax assets. According to the auditing reports issued by Bureau of Investment Auditing which affiliated to Shenzhen government, different income tax assets of RMB13,737,365.22 were settled.
- (f) When the Company acquired the Shenchang Company and confirmed the fair value of its identifiable assets and liabilities, it recognized the corresponding deferred tax assets for the temporary difference formed between the tax base and the book value.
- (g) On 18 July 2016, the Company issued a 5-year long-term bond whose face value is USD300 million. On 27 July 2016, the Company signed the USD155 million and USD140 million foreign swap contracts respectively with China Merchants Bank and China CITIC Bank and recognized them as financial instruments. For the year of 2016, gains of changes in fair value for the financial instruments were RMB74,991,317.77, and the corresponding deferred income tax liabilities amounting to RMB18,747,829.44 were recognized. The original foreign exchange swap contracts signed with China Merchants Bank and China Citic Bank expired on 27 July 2017 and on 31 July 2017 respectively. After that, the Company renewed the USD100 million and USD50 million foreign exchange swaps extension with them respectively, and at the same time, signed the USD50 million foreign forward contract and USD100 million foreign exchange capped forward contract with China Bank. For the year of 2017, losses of changes in fair value of the financial instruments were RMB146,363,175.07, the corresponding deferred tax liabilities amounting to RMB18,747,829.44 were settled, and the corresponding deferred tax assets amounting to RMB17,842,964.33 were recognized.
- (h) Due to the delayed payment of agent-construction fee of Coastal Expressway Shenzhen Section Phase I from Shenzhen Government, the Company accrued the interest expenses discounted and recognized the differences between the tax bases and book values as deferred income tax assets. For details please refer to Note V.11(1)(a).
- (i) According to the requirements of Guo Shui Fa [2009] No. 31, Guizhou Land Company pre-paid income tax on the estimated gross profit calculated based on estimated tax rate of advances from sales of unfinished development products, and recognized the differences between the tax bases and book values as deferred tax assets.



## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

#### 17. Deferred tax assets and deferred tax liabilities (continued)

#### (2) Deferred tax liabilities without taking into consideration the offsetting of balances

Item	31 December 2017		31 December 2016	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
The amortisation of concession intangible assets (a)	605,714,766.44	151,428,691.61	154,883,671.40	38,720,917.85
Business combinations involving enterprises not under common control (b)				
- Qinglian Company	648,963,835.58	158,936,151.99	670,393,610.23	164,293,595.65
- Airport-Heao Eastern Company	1,103,303,399.16	275,825,851.79	1,245,608,189.65	311,402,049.41
- Qinglong Company	2,571,231,029.34	642,807,757.34	2,804,765,901.80	701,191,475.45
- JEL Company	351,983,242.55	87,859,977.09	453,112,488.94	113,142,288.70
- Meiguan Company	22,703,678.72	3,655,579.00	25,562,026.78	4,370,166.01
- Yichang Company	1,108,216,369.75	277,054,092.44	-	-
Foreign exchange swap (Note V.17(1)(g)).	-	-	74,991,317.77	18,747,829.44
<b>Total</b>	<b>6,412,116,321.54</b>	<b>1,597,568,101.26</b>	<b>5,429,317,206.57</b>	<b>1,351,868,322.51</b>
Including:				
Expected to be utilized within 1 year (including 1 year)		146,115,296.42		132,058,461.03
Expected to be utilized over 1 year		1,451,452,804.84		1,219,809,861.48
<b>Total</b>		<b>1,597,568,101.26</b>		<b>1,351,868,322.51</b>

(a) The deferred tax liability was recognized based on the temporary difference generated between the tax base (straight line basis) and accounting base (traffic volume basis) for the amortisation of toll road concession intangible assets.

(b) When the Company acquired equity interests of Qinglian Company, Airport-Heao Eastern Company, Qinglong Company, JEL Company, Meiguan Company and Yichang Company, deferred tax liabilities were recognized on temporary differences between the fair values and book values of respective identifiable assets and liabilities acquired.

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

#### 17. Deferred tax assets and deferred tax liabilities (continued)

##### (3) Offsetting of balances of deferred tax assets and liabilities

Item	Deferred tax assets and liabilities offset as at 31 December 2017	Net values of deferred tax assets/liabilities as at 31 December 2017	Deferred tax assets and liabilities offset as at 31 December 2016	Net values of deferred tax assets/liabilities as at 31 December 2016
Deferred tax assets	-59,953,594.49	147,865,704.02	-112,548,468.31	53,142,103.90
Deferred tax liabilities	59,953,594.49	1,537,614,506.77	112,548,468.31	1,239,319,854.20

##### (4) Deductible tax losses that were not recognized as deferred tax assets are analysed as follows:

Item	31 December 2017	31 December 2016
Deductible tax losses	212,666,285.90	256,109,046.62
<b>Total</b>	<b>212,666,285.90</b>	<b>256,109,046.62</b>

##### (5) The aforesaid unrecognized deductible tax losses will be due in the following years:

Year	31 December 2017	31 December 2016
Year 2017	-	88,750,103.43
Year 2018	146,242,571.78	146,242,571.78
Year 2019	852,916.22	878,206.68
Year 2020	981,082.14	981,082.14
Year 2021	19,257,082.59	19,257,082.59
Year 2022	45,332,633.17	-
<b>Total</b>	<b>212,666,285.90</b>	<b>256,109,046.62</b>

#### 18. Other non-current assets

Item	31 December 2017	31 December 2016
Other non-current assets	1,472,000,000.00	-
<b>Total</b>	<b>1,472,000,000.00</b>	<b>-</b>

The other non-current assets of the Group are prepayments for acquisition of 100% equity of Shenzhen Guangshen Coastal Expressway Investment Co., Ltd ("Coastal Company"), please refer to Note XII.1.

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 19. Provision for impairment of assets

31 December 2017

Item	31 December 2016	Additions	Reductions	31 December 2017
Provision for impairment of concession intangible assets	620,000,000.00	-	-	620,000,000.00
Provision for bad debts	-	450,000.00	-	450,000.00
<b>Total</b>	<b>620,000,000.00</b>	<b>450,000.00</b>	<b>-</b>	<b>620,450,000.00</b>

31 December 2016

Item	31 December 2015	Additions	Reductions	31 December 2016
Provision for impairment of concession intangible assets	620,000,000.00	-	-	620,000,000.00
<b>Total</b>	<b>620,000,000.00</b>	<b>-</b>	<b>-</b>	<b>620,000,000.00</b>

##### 20. Short-term borrowings

Item	31 December 2017	31 December 2016
Pledged (1)	1,118,256,000.00	-
Credit (2)	1,400,000,000.00	-
<b>Total</b>	<b>2,518,256,000.00</b>	<b>-</b>

- (1) On 31 December 2017, the interest rate on the loan of RMB420,000,000.00 was 5% lower than the benchmark one-year loan interest rate, the interest rate on the loan of RMB450,000,000.00 was 4.1325%, and the pledge of both loan was the operating right of Shuiguan Expressway; the interest rate on the remaining loan of RMB248,256,000.00 was 3.87% , and the pledge of the loan was 45% share in JEL.
- (2) On 31 December 2017, the interest rate on the loan of RMB100,000,000.00 was the benchmark one-year loan interest rate ; the interest rate on the loan of RMB1,150,000,000.00 was 3.915%; the interest rate on the loan of RMB50,000,000.00 was 4.1325%, and the interest rate on the remaining loan of RMB100,000,000.00 was 3.6975%.

As at 31 December 2017, the Company had no overdue loans.

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 21. Accounts payable

Accounts payable are interest free which will be paid within one year in general.

##### (1) Analysis of accounts payable

Item	31 December 2017	31 December 2016
Payables for construction projects and quality deposits	317,969,498.84	203,791,383.02
Others	30,287,840.62	15,766,652.60
<b>Total</b>	<b>348,257,339.46</b>	<b>219,558,035.62</b>

##### (2) The significant accounts payable with aging over 1 year:

Item	31 December 2017	Reason for unsettlement
Shenzhen Municipal Engineering Corporation	9,765,341.00	Completed project under warranty period
Qingyuan Municipal Bureau of Land and Resources	5,882,280.00	Project settlement has not been completed
China Railway 18 Bureau Group Co., Ltd	3,069,460.00	Completed project under warranty period
Jiangxi Tongwei Highway Construction Group Co., Ltd	3,053,656.08	Project settlement has not been completed
Shenzhen Zhongzhuang Construction Group Co., Ltd	2,087,682.89	Completed project under warranty period
<b>Total</b>	<b>23,858,419.97</b>	<b>/</b>

##### (3) The aging of accounts payable according to the recognition date is analysed below:

	31 December 2017	31 December 2016
Within 1 month	103,844,549.33	63,342,121.43
1 to 2 months	5,713,972.25	1,260,674.46
2 to 3 months	1,985,070.63	535,134.93
3 months to 1 year	114,039,258.18	14,617,273.46
Over 1 year	122,674,489.07	139,802,831.34
<b>Total</b>	<b>348,257,339.46</b>	<b>219,558,035.62</b>

##### 22. Advances from customers

##### (1) General information of advances from customers

Item	31 December 2017	31 December 2016
Advances from sales of real estates	456,303,129.00	167,578,202.00
Advances from agent-construction fee of Coastal Project Phase II	19,378,599.38	33,207,547.17
Advances from advertising customers	8,457,739.39	11,584,919.03
Advances from agent-construction fee of Outer Ring Project	-	13,971,964.09
Others	1,023,009.83	1,287,123.64
<b>Total</b>	<b>485,162,477.60</b>	<b>227,629,755.93</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 22. Advances from customers (continued)

###### (1) General information of advances from customers (continued)

As at 31 December 2017, the account in advances collected from customers over 1 year was RMB56,490,030.00 (31 December 2016: RMB22,332,858.81) mainly comprised the advances from customers from Interlaken Town Project of Guizhou Land Company. The balance of the advances from customers through sales of completed properties held-for-sale of Phase I Stage II was RMB112,953,842.00. And the balance of the advances from customers through sales of completed properties held-for-sale of Phase II Stage I was RMB343,349,287.00.

##### 23. Employee benefits payable

###### (1) Analysis of employee benefits payable

2017

Item	31 December 2016	Current period additions	Current period reductions	31 December 2017
I. Short-term wages	108,642,178.60	493,560,346.86	439,358,621.46	162,843,904.00
II. Pension benefits - defined contribution plans	195,609.88	39,437,135.32	38,453,330.18	1,179,415.02
<b>Total</b>	<b>108,837,788.48</b>	<b>532,997,482.18</b>	<b>477,811,951.64</b>	<b>164,023,319.02</b>

2016

Item	31 December 2015	Current period additions	Current period reductions	31 December 2016
I. Short-term wages	153,837,190.98	509,681,742.64	554,876,755.02	108,642,178.60
II. Pension benefits - defined contribution plans	218,926.85	38,360,370.69	38,383,687.66	195,609.88
<b>Total</b>	<b>154,056,117.83</b>	<b>548,042,113.33</b>	<b>593,260,442.68</b>	<b>108,837,788.48</b>

###### (2) Analysis of short-term wages

2017

Item	31 December 2016	Current period additions	Current period reductions	31 December 2017
I. Wages and salaries, bonuses, allowances and subsidies	103,835,659.29	405,229,912.32	353,827,638.84	155,237,932.77
II. Staff welfare	-	37,226,499.11	36,811,212.56	415,286.55
III. Social security contributions	45,838.62	15,987,204.57	15,661,519.21	371,523.98
Including: Medical insurance	38,504.57	13,429,296.35	13,155,719.74	312,081.18
Work injury insurance	2,399.78	836,975.44	819,924.89	19,450.33
Maternity insurance	4,934.27	1,720,932.78	1,685,874.58	39,992.47
IV. Housing funds	-	21,543,665.31	21,204,145.36	339,519.95
V. Labor union funds and employee education funds	4,036,522.70	9,890,767.89	8,010,280.06	5,917,010.53
VI. Others	724,157.99	3,682,297.66	3,843,825.43	562,630.22
<b>Total</b>	<b>108,642,178.60</b>	<b>493,560,346.86</b>	<b>439,358,621.46</b>	<b>162,843,904.00</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 23. Employee benefits payable (continued)

##### (2) Analysis of short-term wages (continued)

2016

Item	31 December 2015	Current period additions	Current period reductions	31 December 2016
I. Wages and salaries, bonuses, allowances and subsidies	149,452,412.87	431,109,825.83	476,726,579.41	103,835,659.29
II. Staff welfare	-	32,291,119.35	32,291,119.35	-
III. Social security contributions	65,725.53	15,639,082.74	15,658,969.65	45,838.62
Including: Medical insurance	55,209.63	13,136,873.05	13,153,578.11	38,504.57
Work injury insurance	3,440.92	818,750.27	819,791.41	2,399.78
Maternity insurance	7,074.98	1,683,459.42	1,685,600.13	4,934.27
IV. Housing funds	6,437.41	20,453,850.31	20,460,287.72	-
V. Labor union funds and employee education funds	3,615,207.91	9,434,617.40	9,013,302.61	4,036,522.70
VI. Others	697,407.26	753,247.01	726,496.28	724,157.99
<b>Total</b>	<b>153,837,190.98</b>	<b>509,681,742.64</b>	<b>554,876,755.02</b>	<b>108,642,178.60</b>

##### (3) Analysis of defined contribution plans

2017

Item	31 December 2016	Current period additions	Current period reductions	31 December 2017
I. Basic pensions	83,573.11	29,147,917.38	28,554,126.90	677,363.59
II. Unemployment insurance	1,733.01	604,425.69	592,112.56	14,046.14
III. Enterprise annuities	110,303.76	9,684,792.25	9,307,090.72	488,005.29
<b>Total</b>	<b>195,609.88</b>	<b>39,437,135.32</b>	<b>38,453,330.18</b>	<b>1,179,415.02</b>

2016

Item	31 December 2015	Current period additions	Current period reductions	31 December 2016
I. Basic pensions	119,830.98	28,513,220.66	28,549,478.53	83,573.11
II. Unemployment insurance	2,484.87	591,264.30	592,016.16	1,733.01
III. Enterprise annuities	96,611.00	9,255,885.73	9,242,192.97	110,303.76
<b>Total</b>	<b>218,926.85</b>	<b>38,360,370.69</b>	<b>38,383,687.66</b>	<b>195,609.88</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 24. Taxes payable

Item	31 December 2017	31 December 2016
Corporate income tax payable	207,993,351.97	119,478,565.68
VAT payable	28,797,570.82	28,791,052.28
City maintenance and construction tax payable	1,980,716.73	1,956,555.02
Educational surcharge payable	947,228.98	913,933.73
Others	4,476,804.68	5,052,107.63
<b>Total</b>	<b>244,195,673.18</b>	<b>156,192,214.34</b>

##### 25. Interest payable

Item	31 December 2017	31 December 2016
Interest of corporate bonds	43,850,747.27	45,423,765.19
Interest of medium-term notes	14,766,070.95	52,227,279.28
Interest of short-term borrowings	2,522,302.71	-
Interest of long-term borrowings with interest payable in installment and principal payable upon maturity	5,534,486.20	2,537,278.74
<b>Total</b>	<b>66,673,607.13</b>	<b>100,188,323.21</b>

##### 26. Other payables

###### (1) Analysis of other payables by nature

Item	31 December 2017	31 December 2016
Project funds retained for construction management contracts (a)	783,973,461.97	1,420,258,174.78
Payable related to maintenance for roads	174,921,055.28	148,337,388.98
Payable related to costs of construction management services	139,615,305.62	152,775,168.12
Payable of tender and performance deposit and warranty	64,685,277.80	86,753,369.95
Advance project expenditure and administrative special expenses	41,907,245.21	48,614,719.39
Payables due to associates	44,946,531.79	74,276,376.43
Overpaid Meiguan reconstruction and expansion government compensation payable (c)	33,249,357.80	-
Equity deposit payable to Guizhou Wanjin Co., Ltd (Guizhou Wanjin Company)	29,968,000.00	29,968,000.00
Payables of acquisition of Fameluxe Investment	26,000,000.00	26,000,000.00
Mechanical and electrical costs payable	24,004,975.39	11,204,391.89
County road construction fee of Hunan Province	29,658,219.22	-
Subscription funds and down deposits received for real estate sales	2,320,000.00	1,190,000.00
Acquisition of minority interests of JEL company (b)	-	333,498,800.00
Borrowing from CCCC Second Highway Engineering Co., Ltd.	-	20,000,000.00
Payable of Longli BT project funds	-	15,015,088.43
Others	17,207,010.52	19,233,329.63
<b>Total</b>	<b>1,412,456,440.60</b>	<b>2,387,124,807.60</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 26. Other payables (continued)

###### (1) Analysis of other payables by nature (continued)

- (a) The Company was entrusted by the Shenzhen Government for management of the construction of highway projects. The projects are funded by the Shenzhen Government. The Company follows the arrangement of the entrusted contract to pay for the construction. According to the entrusted contract, the Company was required to set up a special deposit account to settle the payment. As at 31 December 2017, project funds retained in the special deposit account amounting to RMB783,973,461.97 (31 December 2016: RMB1,420,258,174.78) were classified as a deposit in the special account of entrusted construction management and disclosed as restricted bank balance in the cash flow statement.
- (b) On 2 December 2016, Mei Wah Company entered into an equity transfer agreement with Shenzhen International's wholly-owned subsidiary, Flywheel Investments Limited ("Flywheel Investments"). Pursuant to the Equity Transfer Agreement, Flywheel Investments transferred a 45% interest in JEL Company to Mei Wah Company at a transfer price of RMB453,498,800.00. On 5 December 2016, the Group had paid the first RMB120,000,000.00 and the remaining consideration of RMB333,498,800.00 was accrued at the one-year benchmark interest rate. The interest expense recognized in this year was RMB 3,576,597.67. On 3 and 7 April 2017, the Group had paid the remaining consideration and the interest.
- (c) According to the audit opinion issued by Shenzhen Municipal Government Investment Audit Bureau, the Company made adjustments to the reconstruction and expansion of Meiguan during the year, and the overpaid government compensation payable was confirmed to be RMB33,249,357.80. For details, please refer to Note V. 11 (1) (c).

###### (2) Significant other payables with aging over 1 year

Item	31 December 2017	Reason for unsettlement
GZ W2 Company	40,750,000.00	Dividend has been received but the dividend distribution plan has not been passed
Guizhou Wanjin Company	29,968,000.00	Contract settlement has not been completed.
Hetai Investment Company	26,000,000.00	Contract settlement has not been completed.
Shandong Provincial Highway and Bridge Group Co., Ltd.	13,796,900.89	Contract settlement has not been completed.
Nanjing Third Bridge Company	4,196,531.79	Dividend has been received but the dividend distribution plan has not been passed
<b>Total</b>	<b>114,711,432.68</b>	<b>/</b>

##### 27. Current portion of non-current liabilities

Item	31 December 2017	31 December 2016
Compensations related to the toll adjustment of Three Expressways due within one year (Notes V.32)	475,940,400.00	459,050,000.00
Current portion of non-current borrowings (Notes V.28(1))	105,522,900.05	99,200,000.00
Including: Pledged	95,477,445.50	99,200,000.00
Credit loan	10,045,454.55	-
Current portion of provisions (Notes V.30)	15,435,584.90	24,435,584.90
Current portion of non-current bonds (Notes V.29(1))	898,753,113.06	999,325,267.24
<b>Total</b>	<b>1,495,651,998.01</b>	<b>1,582,010,852.14</b>



## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 28. Long-term borrowings

###### (1) Analysis of long-term borrowings

Item	31 December 2017	31 December 2016
Pledged	4,234,708,369.49	1,882,224,000.00
Credit	850,000,000.00	-
Less: Current portion	105,522,900.05	99,200,000.00
<b>Total</b>	<b>4,979,185,469.44</b>	<b>1,783,024,000.00</b>

(a) As at 31 December 2017, the Group's borrowings were repayable as follows:

Item	31 December 2017	31 December 2016
Within 1 year	105,522,900.05	99,200,000.00
1 to 2 years	320,444,490.95	49,600,000.00
2 to 5 years	2,366,620,272.25	745,040,000.00
Over 5 years	2,292,120,706.24	988,384,000.00
<b>Total</b>	<b>5,084,708,369.49</b>	<b>1,882,224,000.00</b>

(b) \*As at 31 December 2017, details of the long-term borrowings are set out as follows:

Item	Interest rate in current year	Currency	Amount in RMB	Assure details
Syndicated borrowings of Qinglian(i)	4.41%-4.90%	RMB	1,783,024,000.00	Operating rights of Qinglian Expressway
Syndicated borrowings of Yichang (ii)	4.90%-5.24%	RMB	1,297,767,663.50	Operating rights of Yichang Expressway
Syndicated borrowings of Outer Ring (iii)	4.41%	RMB	1,153,916,705.99	Operating rights of Outer Ring Expressway
Bank borrowings of Shenzhen Expressway (iv)	4.75%	RMB	850,000,000.00	Credit of Shenzhen Expressway
Less: Current portion			105,522,900.05	
<b>Total</b>			<b>4,979,185,469.44</b>	

- (i) As at 31 December 2017, the interest rate on RMB1,780,215,842.64 was 10% lower than the People's Bank of China benchmark interest rate for borrowing more than five years; the interest rate on the remaining RMB2,808,157.36 was the People's Bank of China benchmark interest rate for borrowing more than five years.
- (ii) As at 31 December 2017, the interest rate on RMB473,367,663.50 was 7% higher than the People's Bank of China benchmark interest rate for borrowing more than five years; the interest rate on the remaining RMB824,400,000.00 was the People's Bank of China benchmark interest rate for borrowing more than five years.
- (iii) As at 31 December 2017, the interest rate on the loan was 10% lower than the People's Bank of China benchmark interest rate for borrowing more than five years.
- (iv) As at 31 December 2017, the interest rate on the loan was the People's Bank of China benchmark interest rate for borrowing one to five years (including five years).

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

#### 29. Bonds payable

##### (1) Bonds payable

Item	31 December 2017	31 December 2016
Corporate bonds	2,732,092,797.02	2,845,177,819.25
Medium-term notes	898,753,113.06	1,897,011,387.89
<b>Sub-total</b>	<b>3,630,845,910.08</b>	<b>4,742,189,207.14</b>
Less: Current portion of long-term bonds	898,753,113.06	999,325,267.24
<b>Total</b>	<b>2,732,092,797.02</b>	<b>3,742,863,939.90</b>

##### (2) Movements of bonds payable

Name	Par value	Date of issuance	Maturity	Issued amount	Balance at 31 December 2016	Current period issued	Accrual of interest by par value	Discount and issue fee amortization	Exchange gains - net	Current period repaid	31 December 2017
Corporate bonds (a)	800,000,000.00	31 July 2007	15 years	800,000,000.00	796,269,475.31	-	44,000,000.00	668,153.64	-	-	796,937,628.95
Corporate bonds (a)	1,995,330,000.00	18 July 2016	5 years	1,984,555,218.00	2,048,908,343.94	-	58,424,240.65	7,086,824.13	-120,840,000.00	-	1,935,155,168.07
Medium-term notes (b)	1,000,000,000.00	7 May 2014	3 years	1,000,000,000.00	999,325,267.24	-	18,350,916.66	674,732.76	-	1,000,000,000.00	-
Medium-term notes (b)	900,000,000.00	14 August 2015	3 years	900,000,000.00	897,686,120.65	-	36,614,902.51	1,066,992.41	-	-	898,753,113.06
<b>Total</b>	<b>4,695,330,000.00</b>	<b>/</b>	<b>/</b>	<b>4,684,555,218.00</b>	<b>4,742,189,207.14</b>	<b>-</b>	<b>157,390,059.82</b>	<b>9,496,702.94</b>	<b>-120,840,000.00</b>	<b>1,000,000,000.00</b>	<b>3,630,845,910.08</b>

# Shenzhen Expressway Company Limited

## Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

### V. Notes to the consolidated financial statements (continued)

#### 29. Bonds payable (continued)

##### (2) Movements of bonds payable (continued)

###### (a) Corporate bonds

The Company issued long-term corporate bonds with a principal amount of RMB800,000,000.00 bearing an interest of 5.5% per annum on 31 July 2007 in accordance with the approval of Fa Gai Cai Jin [2007] No.1791 issued by the National Development & Reform Commission. Interest is repayable annually and principal is repayable in full upon maturity on 31 July 2022. The principal and interest of the bonds are unconditionally and irrevocably guaranteed by China Construction Bank Corporation, and are in turn secured by the Company's 100% equity interest in Meiguan.

The Company held a shareholder's meeting on 19 May 2016 to consider and approve the issuance of debt financing instruments, and endowed the Board of Directors with the general license for issuance. On 18 July 2016, the Company issued a long-term bond with principal value of USD300 million. The bond issuance price was 99.46% of the principal value, bearing a term of 5 years and interest of 2.875% per annum. Interest has begun to be accrued from 18 July 2016 and is repaid semi-annually. On 17 July 2021, the bond should be fully repaid upon maturity. The main purpose of the bond is to repay the bank loans and supplement the Group's operating capital.

###### (b) Medium term notes

Upon the approval from the National Association of Financial Market Institutional Investors in relation to the issuance of Medium term notes amounting to RMB1,000,000,000.00, the Company completed the issuance on 7 May 2014, which bore a term of 3 years and interest rate of 5.50% per annum with interest repayable annually and principal repayable in full upon maturity. On 8 May 2017, the Company had repaid the full principal amount and the remaining interest.

The Company obtained the approval from the National Association of Financial Market Institutional Investors in relation to the issuance of medium-term notes amounting to RMB1,500,000,000.00. The registered quota is valid within 2 years from the date of issue of the Notice of the Acceptance of Registration, and the Company is allowed to issue the medium-term notes in tranches during the validity period. On 14 August 2015, the Company issued the initial tranche of medium-term notes amounting to RMB900,000,000.00, which bear a term of 3 years and interest rate of 3.95% per annum with interest repayable annually and the principal repayable in full upon maturity on 18 August 2018.

#### 30. Provisions

Item	31 December 2017	31 December 2016
Provisions for maintenance/ resurfacing obligations	152,216,309.99	151,909,757.93
Less: Current portion	15,435,584.90	24,435,584.90
<b>Total</b>	<b>136,780,725.09</b>	<b>127,474,173.03</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 31. Deferred income

2017

Item	31 December 2016	Current year addition	Current year reductions	31 December 2017	Explanation
Non-current liabilities					
Compensation to operating costs for Toll Free Section of Meiguan Expressway	134,074,025.09		-13,080,392.65	120,993,632.44	Shenzhen Government compensation to the accrued operating costs for Toll Free Section of Meiguan Expressway in the future
Government compensation for demolition	24,722,899.98		- 2,746,988.88	21,975,911.10	Government compensation for demolition of Qinglong Company
Sub-total	158,796,925.07		-15,827,381.53	142,969,543.54	
Current liabilities					
Return of deed taxes	2,646,278.06	209,982.30	168,111.88	2,688,148.48	Return of deed taxes provided from Guizhou Longli County Government to Guishen Company
<b>Total</b>	<b>161,443,203.13</b>	<b>209,982.30</b>	<b>15,995,493.41</b>	<b>145,657,692.02</b>	

2016

Item	31 December 2015	Current year addition	Current year reductions	31 December 2016	Explanation
Non-current liabilities					
Compensation to operating costs for Toll Free Section of Meiguan Expressway	147,210,600.81		-13,136,575.72	134,074,025.09	Shenzhen Government compensation to the accrued operating costs for Toll Free Section of Meiguan Expressway in the future
Government compensation for demolition	27,469,888.87		- 2,746,988.89	24,722,899.98	Government compensation for demolition of Qinglong Company
Sub-total	174,680,489.68		-15,883,564.61	158,796,925.07	
Current liabilities					
Return of deed taxes	3,464,972.66		- 818,694.60	2,646,278.06	Return of deed taxes provided from Guizhou Longli County Government to Guishen Company
<b>Total</b>	<b>178,145,462.34</b>		<b>-16,702,259.21</b>	<b>161,443,203.13</b>	

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 31. Deferred income

Items of government grants:

##### 31 December 2017

Item	31 December 2016	Additional grants in current period	Recognized in non-operating income in current period	Other changes	31 December 2017	Related to assets/revenue
Return of deed taxes	2,646,278.06	209,982.30	168,111.88	-	2,688,148.48	In related to assets
Compensation for demolition	24,722,899.98	-	2,746,988.88	-	21,975,911.10	In related to assets
<b>Total</b>	<b>27,369,178.04</b>	<b>209,982.30</b>	<b>2,915,100.76</b>	<b>-</b>	<b>24,664,059.58</b>	<b>/</b>

##### 31 December 2016

Item	31 December 2015	Additional grants in current period	Recognized in non-operating income in current period	Other changes	31 December 2016	Related to assets/revenue
Return of deed taxes	3,464,972.66	-	818,694.60	-	2,646,278.06	In related to assets
Compensation for demolition	27,469,888.87	-	2,746,988.89	-	24,722,899.98	In related to assets
<b>Total</b>	<b>30,934,861.53</b>	<b>-</b>	<b>3,565,683.49</b>	<b>-</b>	<b>27,369,178.04</b>	<b>/</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 32. Other non-current liabilities

Item	31 December 2017	31 December 2016
<b>Compensations related to the toll adjustment of Three Expressways</b>		
Acquisition of compensations related to the toll adjustment of Three Expressways	6,588,000,000.00	6,588,000,000.00
Including: unrecognized finance fee	904,210,000.00	904,210,000.00
Add: cumulative recognition of financial expense	630,840,400.00	337,302,400.00
Less: cumulative deduction of toll income containing tax	1,381,020,000.02	628,430,000.00
Balances of compensations related to the toll adjustment of Three Expressways	5,837,820,399.98	6,296,872,400.00
Including: unrecognized finance fee	273,369,600.00	566,907,600.00
Less: current portion of compensations related to the toll adjustment of Three Expressways/Balances reclassified to other payables	475,940,400.00	459,050,000.00
<b>Total</b>	<b>5,361,879,999.98</b>	<b>5,837,822,400.00</b>

On 30 November 2015, the Company entered into an agreement with Shenzhen Transportation Bureau to arrange the compensation related to toll adjustment of Three Expressways. The first stage has started from 7 February 2016 and will be ended on 31 December 2018, lasting the two years, ten months and another twenty-four days. During this period, Shenzhen Transportation Bureau purchases the toll services of this section and gives a cash compensation for the toll fee exemptions that caused by this purchase while the Company retains control and is responsible for the maintenance and resurfacing of the relevant toll roads. A third party professional traffic consultant will be appointed by the Company and Shenzhen Transportation Bureau to perform studies of the actual traffic volume under the corresponding toll road fee system. This consultant will also present the result by using the actual traffic volume which is adjusted and approved by both sides. The second stage will start from 1 January 2019 to the expiry date of Three Expressways. For the second stage, Shenzhen Transportation Bureau can choose between two options based on different situations. By choosing the first option, the operating method of the second stage is the same as the stage one, which means the toll fees exemption project will continue until the expiry date to the rights and interests in toll roads of the Three Expressways. By choosing the second option, the remaining rights and interests in toll roads of the Three Expressways will be taken back by Shenzhen Transportation Bureau and a one-off cash compensation will be made to the Company. Accordingly, Three Expressways toll road exemption scheme will be carried out in two stages starting midnight on 7 February 2016. Shenzhen Transportation Bureau is going to make cash compensation base on different options. On 29 January 2016, the arrangement has been examined and approved in the extraordinary general meeting held by the Company. As at 29 December 2015, the Company received the first compensation of RMB6,588,000,000.00 and financial expense amounting to RMB293,538,000.00 was recognized for the year ended 31 December 2017 (2016: RMB233,304,330.00).

##### 33. Share capital

Year 2017	31 December 2016	Movement					31 December 2017
		New shares issued	Right issue	Transfer from surplus	Others	Sub-total	
Total share capital	2,180,770,326.00	-	-	-	-	-	2,180,770,326.00

Year 2016	31 December 2015	Movement					31 December 2016
		New shares issued	Right issue	Transfer from surplus	Others	Sub-total	
Total share capital	2,180,770,326.00	-	-	-	-	-	2,180,770,326.00

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 34. Capital surplus

###### Year 2017

Item	31 December 2016	Current period additions	Current period reductions	31 December 2017
Share premium	2,274,351,523.42	-	-	2,274,351,523.42
Acquisition of minority interests (b)	-120,924,166.49	-	-	-120,924,166.49
Others (a)	-2,279,838.32	16,465,915.52	12,618,512.70	1,567,564.50
<b>Total</b>	<b>2,151,147,518.61</b>	<b>16,465,915.52</b>	<b>12,618,512.70</b>	<b>2,154,994,921.43</b>

###### Year 2016

Item	31 December 2015	Current period additions	Current period reductions	31 December 2016
Share premium	2,274,351,523.42	-	-	2,274,351,523.42
Acquisition of minority interests (b)	-	-	120,924,166.49	-120,924,166.49
Others (a)	-	-	2,279,838.32	-2,279,838.32
<b>Total</b>	<b>2,274,351,523.42</b>	<b>-</b>	<b>123,204,004.81</b>	<b>2,151,147,518.61</b>

(a) With respect to a decrease of RMB16,465,915.52 in other capital reserves, please refer to Note 5.12(2); as well as an increase of RMB12,618,512.70 in other capital reserves, please refer to Note 5.12(3)

(b) As at 2 December 2016, the Company's wholly-owned subsidiary, Mei Wah Company, purchased 45% interest in JEL Company owned by Flywheel Investment, Shenzhen International's wholly-owned subsidiary, at a price of RMB453,498,800.00. After the acquisition, Mei Wah Company held a 100% interest in JEL Company, resulting in a decrease of capital surplus amounting to RMB120,924,166.49 and minority interests amounting to RMB332,574,633.51.

##### 35. Other comprehensive income

Year 2017	31 December 2016	Amount incurred in current period		31 December 2017
		Pre-tax amount incurred in the current period	Post-tax amount attributable to owners of the Company	
Item that may be reclassified subsequently to profit or loss:	894,501,191.30	-6,877,020.80	-6,877,020.80	887,624,170.50
- Appreciation of initial equity interest upon business combination	893,132,218.74	-	-	893,132,218.74
- Equity investment reserve	406,180.00	-	-	406,180.00
- Under the equity method, the Company's share of the other comprehensive income the invested entity will be classified into profit or loss	-	-4,825,335.80	-4,825,335.80	-4,825,335.80
- Others	962,792.56	-2,051,685.00	-2,051,685.00	-1,088,892.44
<b>Total other comprehensive income</b>	<b>894,501,191.30</b>	<b>-6,877,020.80</b>	<b>-6,877,020.80</b>	<b>887,624,170.50</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 35. Other comprehensive income (continued)

Year 2016	31 December 2015	Amount incurred in current period		31 December 2016
		Pre-tax amount incurred in current year	Post-tax amount attributable to owners of the Company	
Item that may be reclassified subsequently to profit or loss:	893,605,520.32	895,670.98	895,670.98	894,501,191.30
- Appreciation of initial equity interest upon business combination	893,132,218.74	-	-	893,132,218.74
- Equity investment reserve	406,180.00	-	-	406,180.00
- Others	67,121.58	895,670.98	895,670.98	962,792.56
<b>Total other comprehensive income</b>	<b>893,605,520.32</b>	<b>895,670.98</b>	<b>895,670.98</b>	<b>894,501,191.30</b>

##### 36. Surplus reserve

Year 2017	31 December 2016	Current period additions	Current period reductions	31 December 2017
Statutory surplus reserve	1,577,817,102.75	107,406,491.08	-	1,685,223,593.83
Discretionary surplus reserve	453,391,330.06	-	-	453,391,330.06
<b>Total</b>	<b>2,031,208,432.81</b>	<b>107,406,491.08</b>	<b>-</b>	<b>2,138,614,923.89</b>

Year 2016	31 December 2015	Current year additions	Current year reductions	31 December 2016
Statutory surplus reserve	1,462,492,638.06	115,324,464.69	-	1,577,817,102.75
Discretionary surplus reserve	453,391,330.06	-	-	453,391,330.06
<b>Total</b>	<b>1,915,883,968.12</b>	<b>115,324,464.69</b>	<b>-</b>	<b>2,031,208,432.81</b>

In accordance with the Company Law of the Peoples' Republic of China, the Company's Articles of Association and the resolution of the Board of Directors, companies should appropriate 10% of the net profit for the year to the statutory surplus reserve, where the appropriation can be ceased when the statutory surplus reserve reaches 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities. According to a resolution passed by the Board of Directors, the Company appropriated 10% of net profit, amounting to RMB107,406,491.08 for the year 2017 (2016: RMB115,324,464.69) to the statutory surplus reserve.

The Company appropriates the discretionary surplus reserve after the shareholders' meeting approves the proposal from the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities. The Company did not appropriate any surplus reserve for the year ended 31 December 2017 (the same period in 2016: Nil).



## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 37. Undistributed profits

Item	31 December 2017	31 December 2016
Opening undistributed profits	5,416,848,490.55	5,104,281,635.31
Add: Net profit attributable to equity holders of the Company in current period/year	1,426,402,801.01	1,169,353,230.77
Less: Appropriation for statutory surplus reserve	107,406,491.08	115,324,464.69
Dividends	479,769,471.72	741,461,910.84
<b>Undistributed profits at the end of the year</b>	<b>6,256,075,328.76</b>	<b>5,416,848,490.55</b>

In accordance with the resolution passed in the Annual General meeting on 23 May 2017, the Company proposed a cash dividend to all shareholders amounting to RMB479,769,471.72, which was calculated by reference to the 2,180,770,326 shares issued and a dividend of RMB0.22 per share. The cash dividend represents 41% of the net profit for the year ended 31 December 2016. As of 31 December 2017, the dividend has been paid in full.

##### 38. Revenue and cost of services

Item	2017		2016	
	Revenue	Cost	Revenue	Cost
Main business - toll road	4,284,638,268.59	2,120,178,982.49	3,679,988,086.44	1,863,000,759.27
Other services -				
Real estate Development revenue	317,418,081.53	233,768,045.56	253,685,024.38	213,008,459.05
Management services revenue	103,116,600.03	63,760,807.37	121,416,600.09	92,649,162.96
Advertising services revenue	94,259,485.39	61,514,617.30	109,682,513.35	61,490,496.75
Construction consulting service	-	-	333,917,584.13	278,150,139.08
Others	37,188,398.35	19,419,980.10	33,519,348.15	24,632,298.96
Sub-total of other businesses	551,982,565.30	378,463,450.33	852,221,070.10	669,930,556.80
<b>Total</b>	<b>4,836,620,833.89</b>	<b>2,498,642,432.82</b>	<b>4,532,209,156.54</b>	<b>2,532,931,316.07</b>

##### 39. Tax and surcharges

Item	2017	2016
City maintenance and construction tax	10,829,152.41	11,283,732.83
Educational surcharge	7,896,317.54	8,208,247.26
Land appreciation tax	6,726,657.69	-
Property tax	5,169,937.03	3,979,809.14
Stamp tax	4,617,564.50	647,715.21
Construction fee for culture development	2,310,814.90	2,678,576.64
Business tax	360,364.62	38,845,008.12
Others	681,667.45	642,081.04
<b>Total</b>	<b>38,592,476.14</b>	<b>66,285,170.24</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 40. General and administrative expenses

Item	2017	2016
Salary and wages	123,260,790.37	74,862,173.32
Lawyers and advisory fees	12,795,828.72	10,789,205.61
Depreciation and amortization	6,342,264.73	6,261,927.95
Rental fees	7,657,016.21	8,624,391.27
Stock exchange fees	5,565,080.85	5,532,719.30
Audit fees*	5,993,825.63	6,847,683.24
Office and communication charges	2,043,512.00	3,556,757.53
Office building management fees	3,027,163.66	2,498,988.06
Others	16,981,805.05	19,560,891.33
<b>Total</b>	<b>183,667,287.22</b>	<b>138,534,737.61</b>

\* The remuneration of the auditors of the Company for 2017 was RMB5,760,000.00. (2016: RMB4,270,000.00 )

##### 41. Financial expenses

Item	2017	2016
Interest expenses	727,250,543.67	631,889,905.19
Including: Interest expenses from borrowings	223,062,088.80	100,091,360.80
Interest expenses from bonds payable	167,686,762.76	220,726,144.39
Overdue interest from acquisition of minority interests of JEL company (Note V.26(b))	3,576,597.67	-
Other financing expense (Note V.32)	293,538,000.00	311,072,400.00
Overdue interest from the income of construction agency of Coastal Project Phase I (Note V. 11(1)(a))	39,387,094.44	-
Exchange gain or losses	-124,211,122.18	87,518,024.13
Less: Interest income	44,590,576.26	78,826,290.07
Less: Interest capitalized	20,377,191.50	3,286,595.30
Others	12,555,976.56	2,147,691.31
<b>Total</b>	<b>550,627,630.29</b>	<b>639,442,735.26</b>

In the current year, the Group's borrowing interest capitalization amount has been included in inventory and intangible assets. Please refer to Note V.6(2) and Note V.16(e) for relevant information.

In 2017 and 2016, the Group did not have any interest income from financial assets that had been impaired.

##### 42. Gain or Loss from changes in fair value

Item	2017	2016
Financial assets at fair value through loss	-146,363,175.07	74,991,317.77
Including: derivative financial instruments (Note V.2)	-146,363,175.07	74,991,317.77
<b>Total</b>	<b>-146,363,175.07</b>	<b>74,991,317.77</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 43. Investment income

Item	2017	2016
Investment income from long-term equity investments under the equity method of joint ventures (Note V.12)	7,079,749.78	25,059,890.94
Investment income from long-term equity investments under the equity method of associates (Note. V 12)	482,136,361.14	281,035,636.48
Gain on fair value generated from original shares involving the business combination under common control realized by multiple transactions (Note VI.1(4))	27,504,389.73	-
Investment income from financial products	7,581,799.16	15,553,550.02
Investment income financial assets available-for-sale	5,400,000.00	38,200,000.00
Investment income from disposal of subsidiaries	-	52,828,171.39
Investment income from revaluing the remaining equity at fair value after loss of control	-	21,304,871.82
Investment loss from foreign exchange swap	-850,968.84	-
<b>Total</b>	<b>528,851,330.97</b>	<b>433,982,120.65</b>

##### 44. Gains or loss on disposal of assets

Item	2017	2016
Compensation for land expropriation from pinghu street office	24,688,534.90	-
Loss on Meiguan Expressway fee adjustment and facility construction compensation project due to audit adjustment	-43,695,332.04	-26,760,000.00
Others	282,047.03	5,671.56
<b>Total</b>	<b>-18,724,750.11</b>	<b>-26,754,328.44</b>

##### 45. Other income

Government grants related to daily activities are as follows:

Item	2017	2016	Asset / Profit related
Government grants related to deferred (Note. V.31)	168,111.88	-	Asset related

##### 46. Non-operating income

Item	2017	2016	Amount recorded as non-recurring profit or loss in 2017
Government grants unrelated to daily activities (a)	9,059,126.55	5,877,947.62	9,059,126.55
Others	2,056,889.92	1,357,126.51	2,056,889.92
<b>Total</b>	<b>11,116,016.47</b>	<b>7,235,074.13</b>	<b>11,116,016.47</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

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(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 46. Non-operating income (continued)

(a) Government grants unrelated to daily activities are as follows:

Item	2017	2016	Asset / Profit related
Government incentives (i)	6,312,137.67	2,312,264.13	Profit related
Government grants related to deferred (ii)	2,746,988.88	3,565,683.49	Asset related
<b>Total</b>	<b>9,059,126.55</b>	<b>5,877,947.62</b>	

(i) On 27 December 2017, the company received settlement grants of RMB5,000,000.00 from Shenzhen Longhua new district development and finance bureau, for moving its registration place and tax registration to longhua new district. Other government incentives include the meiguan toll station reconstruction compensation, cultural industry support fund, stable post subsidies, etc.

(ii) The detailed information is set out in Note. V.31.

##### 47. Non-operating expenses

Item	2017	2016	Amount recognized in non-recurring profit or loss in 2017
The loss on damage or scrap of non-current assets	1,872,253.66	191,621.99	1,872,253.66
Donation	1,009,402.50	1,788,865.00	1,009,402.50
Others	1,028,621.91	1,402,570.40	1,028,621.91
<b>Total</b>	<b>3,910,278.07</b>	<b>3,383,057.39</b>	<b>3,910,278.07</b>

##### 48. Expenses by nature

Costs of services, selling expenses, general and administrative expenses in income statement are analyzed by nature as follows:

Item	2017	2016
Depreciation and amortization	1,433,132,981.29	1,231,072,539.96
Salary and wages	527,444,210.40	537,111,241.93
Real estate development costs	233,768,045.56	213,008,459.05
Costs of construction consulting service	-	160,626,124.22
Road maintenance expenses	144,383,085.11	151,357,976.16
Entrusted management expenses for Wuhuang Expressway	95,477,715.34	88,559,532.08
Costs of construction management services	21,290,688.29	63,319,390.61
Material, water and electrical costs	49,881,270.46	51,527,841.54
Mechanical and electrical costs	28,453,934.18	29,289,034.99
Costs of agencies	19,219,574.65	19,838,241.48
Integrated tolls settlement service expenses	15,551,397.96	16,385,481.26
Promotion and marketing expense	10,582,566.98	11,302,397.93
Other expenses	123,257,809.77	116,705,213.81
<b>Total</b>	<b>2,702,443,279.99</b>	<b>2,690,103,475.02</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 49. Income tax expenses

###### (1) Classification of income tax expense

Item	2017	2016
Income tax expense	508,712,608.69	382,044,423.21
Deferred income tax	-139,069,254.28	-76,017,330.07
<b>Total</b>	<b>369,643,354.41</b>	<b>306,027,093.14</b>

###### (2) Income tax expense reconciliation from profit before tax

Item	2017	2016
Profit before tax	1,915,644,703.54	1,622,448,902.74
Income tax expenses calculated at the applicable tax rate	479,574,239.03	405,612,225.69
Lower tax rates enacted by a particular provincial or local authority	-	-3,236,837.08
Effect of withholding tax on distributable profits of the Group's PRC subsidiaries	2,238,336.54	1,358,890.42
Income not subject to tax	-134,814,228.84	-94,231,237.29
Unrecognized tax losses at the current period	10,670,095.14	1,276,822.54
Use of unrecognized tax losses at previous periods	-	-6,691,309.98
Utilization of previous unrecognized tax losses	1,963,065.67	-
Adjustment of income tax in the prior period	8,898,646.78	-
Expenses not deductible for tax purposes	1,113,200.09	1,938,538.84
<b>Income tax expense calculated based on the effective tax rate of the Group</b>	<b>369,643,354.41</b>	<b>306,027,093.14</b>

##### 50. Notes to the consolidated cash flow statement

###### (1) Cash received relating to other operating activities

Item	2017	2016
Cash received relating to Meiguan facilities construction project	53,810,000.00	-
Received purchasing deposits of property under development	27,550,797.40	-
Cash received relating to funding of Coastal Company	142,009.42	4,384,565.96
Cash received relating to confiscated margin from Shenzhen United Property And Share Rights Exchanged	-	37,968,000.00
Received guarantee deposit from the China Railway 23th Bureau	-	26,753,328.30
Received compensation for change of land nature of Pengbo Company	-	26,451,077.07
Cash received from Longli Country Government in relation to Longli Resettlement (Phase II) Project	-	10,000,000.00
Others	38,285,787.06	23,538,326.85
<b>Total</b>	<b>119,788,593.88</b>	<b>129,095,298.18</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

#### 50. Notes to the consolidated cash flow statement (continued)

#### (2) Cash paid relating to other operating activities

Item	2017	2016
Payment for further development of land	162,530,112.40	129,674,388.82
Management expenses	115,929,711.54	100,366,078.68
Payment for acquisition of land use right	57,671,540.00	55,861,692.00
Cash advanced to Longli BT Project	31,810,926.70	12,000,000.00
Audit, valuation, legal and advisory fees paid	17,563,983.81	11,577,354.46
Warranty payment to China Railway 13 Bureau Group Co., LTD for adjustment to Freight Traffic Organization Project	11,668,616.60	
Expenses paid to stock exchanges	5,228,035.87	4,475,092.12
Cash advanced to Longli Resettlement (Phase I) Project	-	10,000,000.00
Other operating expenses paid	60,700,636.94	107,816,910.26
<b>Total</b>	<b>463,103,563.86</b>	<b>431,771,516.34</b>

#### (3) Cash received relating to the disposal of subsidiaries and other business units

Item	2017	2016
The price of disposal of subsidiaries and other business units	-	150,259,311.84
Cash and cash equivalents received from disposal of subsidiaries and other business units	-	150,259,311.84
Less: acquired cash and cash equivalents held by subsidiaries and other business units when losing control of them	-	104,666,026.93
Net cash receivable from disposal of subsidiaries and other business units	-	<b>45,593,284.91</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 50. Notes to the consolidated cash flow statement (continued)

###### (4) Cash received relating to other investment activities

Item	2017	2016
Maturity redemption of financial products	1,950,000,000.00	4,800,000,000.00
Interests income received	46,340,165.09	57,678,271.03
Received refunds of equity bidding cash deposits	11,000,000.00	-
Received self-built project warranty deposit	214,604.47	-
Received principle and interest of Qinglong Company returned by Huayu Investment	-	20,327,945.21
Others	6,196,630.85	-
<b>Total</b>	<b>2,013,751,400.41</b>	<b>4,878,006,216.24</b>

###### (5) Cash paid relating to the acquisition of subsidiaries and other business units

Item	2017	2016
Paid share subscription fee of Derun	4,415,582,466.80	-
Paid share subscription fee of Costal Company	1,472,000,000.00	-
Paid share subscription fee of Yichang	1,270,000,000.00	-
Paid to Water Planning and Design Institute due to increase capital	63,127,800.00	-
Cash and cash equivalent of Shenchang Company on acquisition date	-46,825,566.55	-
Cash and cash equivalent of Yichang Company on acquisition date	-117,109,152.13	-
Capital increase to Joint Land Company	-	1,896,300,000.00
Equity subscription to Bank of Guizhou Co., Ltd.	-	68,640,000.00
Paid withholding income tax due to transfer of Hetai Company's equity interest	-	20,000,000.00
Capital increase to United Electronic Company	-	13,320,000.00
<b>Total</b>	<b>7,056,775,548.12</b>	<b>1,998,260,000.00</b>

###### (6) Cash paid relating to other investment activities

Item	2017	2016
Purchased financial products	1,400,000,000.00	5,350,000,000.00
Guarantee deposit of bidding for equity	6,000,000.00	5,000,000.00
Others	-	1,300,000.00
<b>Total</b>	<b>1,406,000,000.00</b>	<b>5,356,300,000.00</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

#### 50. Notes to the consolidated cash flow statement (continued)

##### (7) Cash paid relating to other financing activities

Item	2017	2016
Cash paid on purchasing non-controlling interests of subsidiary	333,498,800.00	120,000,000.00
Return loan to minority shareholder of subsidiary	37,807,184.28	-
Commission fee of issuing shares and bonds	2,322,500.00	-
Others	12,544,858.03	4,942,614.23
<b>Total</b>	<b>386,173,342.31</b>	<b>124,942,614.23</b>

#### 51. Supplementary information to the consolidated cash flow statement

##### (1) Supplementary information to the consolidated cash flow statement

Supplementary information	2017	2016
<b>1. Reconciliation from net profit to cash flows from operating activities:</b>		
Net profit	1,546,001,349.13	1,316,421,809.60
Depreciation of fixed assets	153,071,951.42	158,285,895.25
Amortisation of investment properties	575,700.00	575,700.00
Amortisation of intangible assets	1,277,869,169.12	1,066,454,797.97
Amortisation of long-term prepaid expenses	1,616,160.75	5,756,146.74
Net losses on disposal of fixed, intangible, and other long-term assets	18,724,750.11	26,953,464.71
Loss on change in fair value	146,363,175.07	-74,991,317.77
Financial expenses	550,627,630.29	639,442,735.26
Investment income	-528,851,330.97	-433,982,120.65
Impairment loss on assets	450,000.00	
Decrease of deferred income tax assets (increase are listed with "-")	-94,723,600.12	24,475,408.05
Increase of deferred income tax liabilities (decrease are listed with "-")	298,294,652.57	-100,492,738.12
Increase in inventories (increase are listed with "-")	63,858,985.45	-14,400,265.15
Decrease in operating receivables	219,547,353.47	132,149,887.89
Increase in operating payables	-992,720,155.82	-620,039,377.33
Net cash flows from operating activities	2,660,705,790.47	2,126,610,026.45



## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 51. Supplementary information to the consolidated cash flow statement (continued)

###### (1) Supplementary information to the consolidated cash flow statement (continued)

Supplementary information	2017	2016
<b>2. Net change in cash</b>		
Cash at the end of the period	1,686,508,423.22	4,243,639,666.01
Less: cash at the beginning of the period	4,243,639,666.01	6,180,992,066.06
Net increase in cash	-2,557,131,242.79	-1,937,352,400.05

###### (2) Cash and cash equivalents

Item	31 December 2017	31 December 2016
Cash		
Including: Cash on hand	10,703,167.75	11,775,045.42
Cash at banks	1,675,805,255.47	4,231,864,620.59
Cash at the end of the period	1,686,508,423.22	4,243,639,666.01
Including: Restricted cash held by the Company and group companies (Note V.1)	834,757,405.73	1,420,258,174.78
Total cash at banks and on hand	2,521,265,828.95	5,663,897,840.79

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 52. Assets with ownership or use right restricted

Item	31 December 2017	31 December 2016	Reason for restriction
Operating right of Qinglian Expressway	6,981,982,455.22	7,212,538,154.17	Note 1
Operating right of Shuiguan Expressway	3,747,150,068.38	-	Note 2
Operating right of Yichang Expressway	3,040,424,917.48	-	Note 3
Operating right of Outer Ring Expressway	926,564,764.56	-	Note 4
The equity interest in Meiguan Company	526,221,279.42	528,365,040.46	Note 5
45% share in JEL	302,377,401.24	-	Note 6
Cash at banks and on hand	834,757,405.73	1,420,258,174.78	Note 7
<b>Total</b>	<b>16,359,478,292.03</b>	<b>9,161,161,369.41</b>	<b>/</b>

Note 1: On 31 December 2017, the operation right of Qinglian Expressway with a net carrying amount of RMB6,981,982,455.22 (2016: RMB7,212,538,154.17) were pledged to secure long-term bank loans granted to the Group. The pledged term will be ended on 21 December 2024.

Note 2: On 31 December 2017, the operation right of Shuiguan Expressway with a net carrying amount of RMB3,747,150,068.38 (2016: nil) were pledged to secure short-term bank loans granted to the Group. The pledged term will be ended on 14 May 2018. On 31 December 2016, the operation right was not pledged.

Note 3: On 31 December 2017, the operation right of Yichang Expressway with a net carrying amount of RMB3,040,424,917.48 (2016: nil) were pledged to secure long-term bank loans granted to the Group. The pledged term will be ended on 15 December 2030. On 31 December 2016, the operation right was not pledged.

Note 4: On 31 December 2017, the operation right of Outer Ring Expressway with a net carrying amount of RMB926,564,764.56 (2016: nil) were pledged to secure long-term bank loans granted to the Group. The pledged term will be ended on 14 March 2042. On 31 December 2016, the operation right was not pledged.

Note 5: On 31 December 2017, the 100% equity of Meiguan Company with a net carrying amount of RMB526,221,279.42 (2016: RMB 528,365,040.46) were pledged to secure long-term bonds granted to the Group. The pledged term will be ended on 31 July 2022.

Note 6: On 31 December 2017, the 45% equity of JEL Company with a net carrying amount of RMB302,377,401.24 (2016: nil) were pledged to secure short-term bank loan granted to the Group. The pledged term will be ended on 6 April 2018. On 31 December 2016, the operation right was not pledged.

Note 7: On 31 December 2017, cash and cash equivalents with a net carrying amount of RMB834,757,405.73 (2016: RMB1,420,258,174.78) were restricted project funds retained for construction management. Please refer to Note V.1.

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

#### 53. Monetary items denominated in foreign currency

##### (1) Monetary items denominated in foreign currency

Item	31 December 2017			31 December 2016		
	Original amount	Exchange rate	Equivalent to RMB	Original amount	Exchange rate	Equivalent to RMB
Monetary capital						
HKD	3,722,258.63	0.8359	3,111,473.21	8,367,482.68	0.8945	7,484,713.26
USD	678,950.69	6.5342	4,436,399.59	16,902.97	6.9370	117,255.90
EUR	257.00	7.8023	2,005.19	257.00	7.3068	1,877.85
GBP	30.00	8.7792	263.38	30.00	8.5094	255.28
FRF	11.70	1.0812	12.65	11.70	1.0812	12.65
PTAS	446.00	0.0468	20.88	446.00	0.0468	20.88
JAY	380.08	0.0579	22.00	380.00	0.0596	22.65
Other receivables						
HKD	1,738,344.22	0.8359	1,453,099.32	10,811,427.49	0.8945	9,670,821.89
USD	280.54	6.5342	1,833.13	166.35	6.9370	1,153.97
Employee benefits payable						
HKD	12,890.94	0.8359	10,775.67	6,748.40	0.8945	6,036.44
Interest payable						
USD	3,905,208.33	6.5342	25,517,412.27	3,905,208.33	6.9370	27,090,430.19
Bond payable						
USD	296,157,933.35	6.5342	1,935,155,168.07	295,359,426.83	6.9370	2,048,908,343.94

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### V. Notes to the consolidated financial statements (continued)

##### 54. Others

###### (1) Earnings per share

###### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

Item	2017	2016
Consolidated net profit attributable to ordinary shareholders of the Company	1,426,402,801.01	1,169,353,230.77
Weighted average number of ordinary shares outstanding	2,180,770,326.00	2,180,770,326.00
Basic earnings per share	0.654	0.536
Including: Basic earnings per share from continuing operations	0.654	0.536

###### (b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares in 31 December 2017, diluted earnings per share was equal to basic earnings per share.

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### VI. Change in consolidation

##### 1. Business combination not involving enterprises under common control

##### (1) Business combination not involving enterprises under common control in this period

Acquiree	Acquisition date	Acquisition cost	Equity percentage (%)	Acquiring method	Purchasing Date	Evidence of the acquisition date	Acquiree's revenue from purchasing date to 31 December 2017	Acquiree's net profit from the acquisition date to 31 December 2017	Acquiree's cash flow of operating activities from the acquisition date to 31 December 2017	Acquiree's net cash flow from the acquisition date to 31 December 2017
Shenchang Company(a)	1 April 2017	-	-	-	1 April 2017	Change the articles of association and completion of the procedure	114,065,216.85	49,403,052.69	85,497,503.89	8,916,542.26
Yichang Company(b)	15 June 2017	1,270,000,000.00	100%	Purchase	15 June 2017	Take control of the acquiree and completion of the procedure	228,392,437.70	56,643,027.82	200,516,694.42	-22,323,795.16

- (a) Shenchang Company is a limited liability company jointly established in 1998 by the Company and Changsha Ring Road Construction and Development Co., Ltd. ("Changsha Ring Road Company") with registered capital of RMB200 million. The Company hold 51% of its equity while Changsha Ring Road Company hold the rest 49%. According to the cooperation agreement of the Company and the Articles of Association of the Company, the important financial and production and operational decisions of the Company were required to be agreed upon by both parties. Therefore, Shenchang Company was a joint venture of the Company and accounted for the equity method. On 1 April 2017, the Company amended the Articles of Association of the Company, and the important financial and production and operational decisions can now be implemented if over one half of the shareholders approve. At this point, the Company has formed a control over the Company and the Company has been changed from a joint venture of the Company to a subsidiary of the Company. The equity method is changed to be accounted for the cost method.
- (b) On 20 January 2017, the Company entered into an equity transfer agreement with Ping An Innovation. The Company acquired a 100% equity interest in Yichang Company, which was held by Ping An Innovation, at a consideration of RMB1,270,000,000.00 in cash. The acquisition was completed on 15 June 2017.

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### VI. Change in consolidation (continued)

##### 1. Business combination not involving enterprises under common control (Continued)

##### (2) Cost of acquisition and goodwill

Cost of acquisition	Shenchang Company	Yichang Company
- Fair value of equity interest holding before the acquisition date	189,685,868.92	-
- Price for increasing holding equity interest	-	1,270,000,000.00
Total of cost of acquisition	189,685,868.92	1,270,000,000.00
Decrease: the acquirer's interest in fair value of the identifiable net assets obtained	189,685,868.92	1,270,000,000.00
Goodwill	-	-

##### (3) Identifiable assets and liabilities acquired on the combination date

	Shenchang Company		Yichang Company	
	Fair value on consolidation date	Book value on consolidation date	Fair value on consolidation date	Book value on consolidation date
<b>Assets:</b>	<b>399,078,414.75</b>	<b>579,111,634.45</b>	<b>3,270,820,887.15</b>	<b>2,132,255,365.39</b>
Cash at banks and on hand	46,825,566.55	46,825,566.55	117,109,152.13	117,109,152.13
Accounts receivable	2,853,200.00	2,853,200.00	7,965,763.00	7,965,763.00
Other receivables	1,332,488.71	1,332,488.71	594,844.62	594,844.62
Inventories	-	-	20,217.00	20,217.00
Fixed assets	45,565,217.71	45,565,217.71	18,793,029.16	18,793,029.16
Construction in progress	-	-	1,044,406.56	1,044,406.56
Intangible assets	241,936,425.36	481,980,718.29	3,125,293,474.68	1,986,727,952.92
Deferred tax assets	60,565,516.42	554,443.19	-	-
<b>Liabilities:</b>	<b>26,975,338.41</b>	<b>26,975,338.41</b>	<b>2,000,820,887.15</b>	<b>1,716,179,506.71</b>
Accounts payable	8,199,334.32	8,199,334.32	-	-
Dividends payable	-	-	133,496,614.91	133,496,614.91
Employee benefits payable	622,192.43	622,192.43	2,860,546.24	2,860,546.24
Taxes payable	362,382.74	362,382.74	28,543,459.50	28,543,459.50
Interest payable	-	-	16,070,401.47	16,070,401.47
Other payables	17,791,428.92	17,791,428.92	60,646,542.51	60,646,542.51
Current portion of long-term liabilities	-	-	42,452,400.00	42,452,400.00
Deferred tax liabilities	-	-	402,096,936.27	117,455,555.83
Long-term borrowings	-	-	1,314,653,986.25	1,314,653,986.25
<b>Net assets</b>	<b>372,103,076.34</b>	<b>552,136,296.04</b>	<b>1,270,000,000.00</b>	<b>416,075,858.68</b>
Minority interests	182,417,207.42	270,546,785.06	-	-
<b>Acquired net assets</b>	<b>189,685,868.92</b>	<b>281,589,510.98</b>	<b>1,270,000,000.00</b>	<b>416,075,858.68</b>

Recognition method of the fair values of identifiable assets and liabilities:

The Company used valuation techniques to determine the fair values of Shenchang Company's assets and liabilities on the acquisition date at a discount rate of 9.40%.

The Company used valuation techniques to determine the fair values of Yichang Company's assets and liabilities on the acquisition date at a discount rate of 8.58%.

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### VI. Change in consolidation (Continued)

##### 1. Business combination not involving enterprises under common control

##### (4) Gain or loss arising from fair value of the equity shares before the acquisition date

Acquiree	Book value of equity interest acquired before the acquisition date	Fair value of equity interest acquired before the acquisition date	Gain or loss arising from fair value of the equity shares before the acquisition date	Method and assumptions	The amount of other comprehensive income transferred to investment income
Shenchang Company	162,181,479.19	189,685,868.92	27,504,389.73	Income approach	-

##### 2. Change in consolidation caused by other reason

- (1) Shenzhen Expressway Finance I Limited was dissolved on 25 May 2017, in view of the fact that the Group had no plans for overseas financing by BVI as a platform and cost savings in the next few years. Therefore, since 25 May 2017, the Group has no longer incorporated Shenzhen Expressway Finance I Limited into the scope of consolidation.
- (2) On 26 June 2017, the Group set up a wholly-owned subsidiary Shenzhen Expressway Construction and Development Company Limited ("Construction and Development Company") with issued capital of RMB 30,000,000.00. The core business of this company is providing construction to highways and urban roads infrastructure. Since 26 June 2017, the Group has incorporated the new subsidiary into the scope of consolidation.
- (3) On 18 May 2017, Guizhou Land Company, a subsidiary of the Company, set up a wholly-owned subsidiary Guizhou Yehengda Land Co., LTD ("Guizhou Yehengda Company"), with issued capital of RMB1,000,000.00. The core business of this company is land development. Since 18 May 2017, the Group has incorporated the new subsidiary into the scope of consolidation.
- (4) On 8 November 2017, the Group set up a wholly-owned subsidiary Shenzhen Expressway (Shantou Special Cooperation Area) Construction Environmental Protection Development Company Limited ("Shenshan Company"), with issued capital of RMB 500,000,000.00. The core business of this company is providing Environment Protection Construction. Since 8 November 2017, the Group has incorporated the new subsidiary into the scope of consolidation.
- (5) On 28 December 2017, the Group set up a wholly-owned subsidiary Shenzhen Expressway (Guangzhou) Industrial Investment Fund Management Company Limited ("Fund Management Company"), with issued capital of RMB 10,000,000.00. The core business of this company is providing services on capital market. Since 28 December 2017, the Group has incorporated the new subsidiary into the scope of consolidation.

# Shenzhen Expressway Company Limited

## Notes to financial statements

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(All amounts in RMB unless otherwise stated)

### VII. Interests in other entities

#### 1. Interests in subsidiaries

##### (1) Particulars of the Company's subsidiaries are as follows

Name of subsidiaries	Place of main business	Place of registration	Nature of business and principal activities	Share capital	Equity interest (%)		Acquired through
					Direct	Indirect	
Outer Ring Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB100,000,000.00	100%	-	Incorporation
Shenzhen Expressway Investment Company Limited ("Investment Company")	Longli County, Guizhou Province, PRC	Shenzhen City, Guangdong Province, PRC	Investment	RMB400,000,000.00	95%	5%	Incorporation
Guishen Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Infrastructure construction	RMB500,000,000.00	-	70%	Incorporation
Guizhou Land Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB158,000,000.00	-	70%	Incorporation
Guizhou Shengbo Land Company Limited ("Guizhou Shengbo Land Company")	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB1,000,000.00	-	70%	Incorporation
Guizhou Yuelong Investment Company limited ("Guizhou Yuelong Company")	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB1,000,000.00	-	70%	Incorporation
Shenzhen Expressway Property Management Company ("Property Company")	Longli County, Guizhou Province, PRC	Shenzhen City, Guangdong Province, PRC	Property management	RMB1,000,000.00	-	100%	Incorporation
Environment Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Environmental projects and advisory	RMB5,000,000,000.00	100%	-	Incorporation
JEL Company	Hubei Province, PRC	Cayman Islands	Investment holding	USD30,000,000.00	-	100%	Business combinations involving enterprises under common control
Hubei Magerk Expressway Management Co., LTD ("Magerk Company")	Hubei Province, PRC	Hubei Province, PRC	Toll road operation	USD28,000,000.00	-	100%	Business combinations involving enterprises under common control
Qinglian Company	Qingyuan City, Guangdong Province, PRC	Qingyuan City, Guangdong Province, PRC	Toll road operation	RMB3,361,000,000.00	51.37%	25%	Business combinations involving enterprises not under common control
Shenzhen Expressway Advertising Company ("Advertising Company")	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Advertising agency	RMB30,000,000.00	95%	5%	Business combinations involving enterprises not under common control
Meiguan Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB332,400,000.00	100%	-	Business combinations involving enterprises not under common control
Mei Wah Company	Hubei Province and Guangdong Province, PRC	Hong Kong	Investment holding	RMB823,012,897.00	100%	-	Business combinations involving enterprises not under common control
Maxprofit Company	Guangdong Province, PRC	British Virgin Islands	Investment holding	USD85,360,000.00	-	100%	Business combinations involving enterprises not under common control
Airport-Heao Eastern Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB440,000,000.00	100%	-	Business combinations involving enterprises not under common control
Hengfengxin Property Company Limited	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB1,000,000.00	-	70%	Incorporation
Henghongda Property Company Limited	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB1,000,000.00	-	70%	Incorporation
Fameluxe Company	Hong Kong	Hong Kong	Investment holding	HKD10,000.00	-	100%	Business combinations involving enterprises not under common control
Shenzhen Expressway Operation Development Co., LTD	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB30,000,000.00	95%	5%	Incorporation
Qinglong Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB324,000,000.00	40%	10%	Business combinations involving enterprises not under common control
Shenchang Company (a)	Changsha City, Hunan Province, PRC	Changsha City, Hunan Province, PRC	Toll road operation	RMB200,000,000.00	51%	-	Business combinations involving enterprises not under common control
Yichang Company (a)	Changde City, Hunan Province, PRC	Changde City, Hunan Province, PRC	Toll road operation	RMB345,000,000.00	100%	-	Business combinations involving enterprises not under common control
Construction and Development Company (b)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Infrastructure construction	RMB30,000,000.00	95%	5%	Incorporation
Guizhou Yehengda Company (b)	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB1,000,000.00	-	70%	Incorporation
Shenshan Company (b)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Environment protection construction	RMB500,000,000.00	51%	49%	Incorporation
Fund Management Company (b)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Capital market services	RMB10,000,000.00	95%	5%	Incorporation

(a) For detail of Shenchang Company and Yichang Company, please refer to Note VI 1.

(b) For detail of Construction and Development Company, Guizhou Yehengda Company, Shenshan Company and Fund Management Company, please refer to Note VI 2.



# Shenzhen Expressway Company Limited

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### VII. Interests in other entities (continued)

#### 1. Interests in subsidiaries (continued)

#### (2) Significant partly-owned subsidiaries

2017

Name of subsidiaries	Equity interest held by minority interests	Net profit attributable to minority shareholders in 31 December 2017	Dividend declared by subsidiaries to the minority shareholders in 31 December 2017	Shareholder investment withdrawn	New business combination	Minority interests as at 31 December 2017
Qinglian Company	23.63%	17,389,006.21	-	-	-	623,679,629.03
Guishen Company	30.00%	11,891,123.32	-	-	-	224,091,685.47
Qinglong Company	50.00%	66,110,922.75	-144,600,742.17	-	-	1,139,898,135.92
Shenchang Company	49.00%	24,207,495.84	-	-37,807,184.28	182,417,207.42	168,817,518.98
<b>Total</b>	/	<b>119,598,548.12</b>	<b>-144,600,742.17</b>	<b>-37,807,184.28</b>	<b>182,417,207.42</b>	<b>2,156,486,969.40</b>

2016

Name of subsidiaries	Equity interest held by minority interests	Net profit attributable to minority shareholders in 31 December 2017	Dividend declared by subsidiaries to the minority shareholders in 31 December 2017	Minority interests as at 31 December 2017
Qinglian Company	23.63%	5,187,319.15	-	606,290,622.82
JEL Company	-	44,420,197.55	-69,965,068.62	-
Guishen Company	30%	20,077,844.64	-30,000,000.00	212,200,562.15
Qinglong Company	50%	56,960,061.25	-146,501,685.49	1,218,387,955.34
Consulting Company	-	20,423,156.24	-4,357,096.78	-
<b>Total</b>	/	<b>147,068,578.83</b>	<b>-250,823,850.89</b>	<b>2,036,879,140.31</b>

#### (3) Main financial information of significant partly-owned subsidiaries

Name of subsidiaries	31 December 2017					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	119,583,635.74	7,269,239,753.21	7,388,823,388.95	222,571,252.00	4,529,297,780.94	4,751,869,032.94
Guishen Company	1,302,665,651.40	50,959,022.01	1,353,624,673.41	606,651,968.06	-	606,651,968.06
Qinglong Company	135,037,348.69	3,879,016,295.99	4,014,053,644.68	969,473,704.40	764,783,668.44	1,734,257,372.84
Shenchang Company(a)	61,596,838.63	322,081,145.46	383,677,984.09	39,329,373.99	-	39,329,373.99

Name of subsidiaries	31 December 2016					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	95,570,003.26	7,559,806,522.04	7,655,376,525.30	259,083,783.20	4,833,587,070.96	5,092,670,854.16
Guishen Company	1,111,219,633.27	44,666,165.29	1,155,885,798.56	448,550,170.93	-	448,550,170.93
Qinglong Company	116,811,523.74	4,228,950,518.13	4,345,762,041.87	113,071,755.75	1,795,914,375.43	1,908,986,131.18
Shenchang Company(a)	-	-	-	-	-	-

# Shenzhen Expressway Company Limited

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(All amounts in RMB unless otherwise stated)

### VII. Interests in other entities (continued)

#### 1. Interests in subsidiaries (continued)

##### (3) Main financial information of significant partly-owned subsidiaries (continued)

Name of subsidiaries	2017			
	Revenue	Net (loss)/profit	Total comprehensive income	Net cash flows from operating activities
Qinglian Company	741,990,194.46	73,588,684.87	73,588,684.87	610,867,059.03
Guishen Company	317,439,414.86	39,637,077.72	39,637,077.72	358,437,881.73
Qinglong Company	651,010,442.19	132,221,845.49	132,221,845.49	444,583,040.37
Shenchang Company(a)	114,065,216.85	49,403,052.69	49,403,052.69	85,497,503.89

Name of subsidiaries	2016			
	Revenue	Net (loss)/profit	Total comprehensive income	Net cash flows from operating activities
Qinglian Company	675,754,524.69	21,952,260.47	21,952,260.47	545,591,632.67
Guishen Company	253,822,167.23	66,926,148.80	66,926,148.80	146,257,487.02
Qinglong Company	627,228,100.57	113,920,122.49	113,920,122.49	460,078,928.74
Shenchang Company(a)	-	-	-	-

(a) As Shenchang Company became the Company's subsidiary on 1 April, 2017. No comparative financial information for the previous period has been presented.

##### (4) Substantial restriction to the usage of assets or the settlement of liabilities of the Group

As at 31 December 2017, there was no substantial restriction which prohibited the usage of assets or the settlement of liabilities of the Group (31 December 2016: Nil).

#### 2. Interests in joint ventures or associates

Particulars of the Company's associates are as follows:

	Place of incorporation	Place of issue	Principal activities	Issued capital	Percentage of shares held by the Company (%)		Accounting method
					Direct	Indirect	
Consulting Company	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Engineering consulting service	18,750,000.00	24	-	Equity method
Huayu Company	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Toll road operation	150,000,000.00	40	-	Equity method
Jiangzhong Company	Guangdong Province, China	Guangzhou City, Guangdong Province, China	Toll road operation	1,045,000,000.00	25	-	Equity method
Nanjing Third Bridge Company	Nanjing City, Jiangsu Province, China	Nanjing City, Jiangsu Province, China	Toll road operation	1,080,000,000.00	25	-	Equity method
Yangmao Company	Guangdong Province, China	Guangzhou City, Guangdong Province, China	Toll road operation	200,000,000.00	25	-	Equity method
GZ W2 Company	Guangzhou City, Guangdong Province, China	Guangzhou City, Guangdong Province, China	Toll road operation	1,000,000,000.00	25	-	Equity method
Guangyun Company	Guangdong Province, China	Yunfu City, Guangdong Province, China	Toll road operation	10,000,000.00	30	-	Equity method
Guizhou Hengtongli	Longli County, Guizhou Province, China	Longli County, Guizhou Province, China	Real estate development	1,000,000.00	-	49	Equity method
United Land	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Real estate development	5,000,000,000.00	49	-	Equity method
Bank of Guizhou	Guiyang City, Guizhou Province, China	Guiyang City, Guizhou Province, China	Financial service	7,199,389,101.79	3.78	-	Equity method
Derun Environment	Chongqing City, China	Chongqing City, China	Environment improvement and resources recovery	1,000,000,000.00	-	20	Equity method

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### VII. Interests in other entities (continued)

##### 2. Interests in joint ventures or associates (continued)

###### (1) Financial information of material associate

The material associate, Derun Environment, who focuses on environmental improvement and resources recovery, is the strategic partner of the Group. Derun Environment is accounted for using the equity method. A summary of Derun Environment's financial information which complied with the accounting policies of the Company is listed below:

	31 December 2017
	Derun Environment (RMB)
Current assets	11,518,143,607.92
Non-current assets	19,586,942,410.49
Total assets	31,105,086,018.41
Current liabilities	6,447,527,883.25
Non-current liabilities	5,162,902,935.19
Total liabilities	11,610,430,818.44
Non-controlling interest	9,164,870,193.15
Equity attributable to owners of the parent	10,329,785,006.82
Net assets shared by proportion of equity holding	2,065,957,001.36
Adjustment items	2,344,968,450.39
Goodwill	1,462,953,999.22
Premium of appraisal on non-current assets	882,014,451.17
Book value of the equity investment	4,410,925,451.75
	From 6 June 2017 to 31 December 2017
Revenue	4,987,708,159.18
Income tax expense	199,518,544.68
Net profit/(loss)	1,469,352,531.85
Net profit/(loss) attributable to owners of the parent (Note.1)	752,761,335.66
Other comprehensive income	16,027,935.88
Post-tax other comprehensive income attributable to owners of the parent	8,019,978.42
Total comprehensive income	1,485,380,467.73
Dividend received	119,600,000.00

Note 1: The Group shares the net profit attributable to shareholders of the parent company of Derun Environment in proportion of 20%, and after deducting the premium of RMB 24,594,765.16 for amortization of premiums for the year, the Group recognizes the investment income of RMB 125,957,501.97 for Derun Environment. See details Note V.12.

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#### VII. Interests in other entities (continued)

##### 2. Interests in joint ventures or associates (continued)

###### (2) Main financial information of joint ventures and associates that are not material

	2017	2016
Joint ventures:		
Total book value of investment	-	166,160,042.14
Sub-total amount of the following items calculated in the Group's equity proportion in joint ventures:		-
- Net profit	7,079,749.78	25,059,890.94
- Total comprehensive income	7,079,749.78	25,059,890.94
Associates:		
Total book value of investment	4,653,326,829.16	4,537,121,464.03
Sub-total amount of the following items calculated in the Group's equity proportion in associates:		-
- Net profit	356,178,859.17	281,035,636.48
- Other comprehensive income	-6,429,331.48	-
- Total comprehensive income	349,749,527.69	281,035,636.48
-Movement of capital reserve	16,465,915.52	

Except for the important associates listed in (1), during the current year, the directors of the Company considered that the Group has no material joint ventures or associates (2016: the same) as the investment income/ (loss) from individual joint ventures or associates does not exceed 10% of the the Group's total profit for the respective period and, the net book value of long-term equity investments from joint ventures and associates do not exceed 5% of the total net asset of the Group at 31 December 2017.

###### (3) Explanation to substantial restriction on transferring funds between the Group and the joint ventures and associates

As at 31 December 2017, there's no substantial restriction on transferring funds between the Group and the joint ventures and associates (31 December 2016: Nil).

#### VIII. Financial instruments and risk

The Group's activities expose to a variety of financial risks: market risk (primarily currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

## Shenzhen Expressway Company Limited

### Notes to financial statements

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#### VIII. Financial instruments and risk (continued)

##### 1. Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies (except for the long-term bond are denominated in USD, the Group's foreign currency assets, liabilities and transactions are mainly denominated in HKD). The Group's finance department at its headquarters is responsible for monitoring the amounts of assets and liabilities and transactions denominated in foreign currencies to mitigate foreign exchange risk.

The sensitivity of the Group's net profit due to the probably reasonable changes in the exchange rate, with the other variables remaining the same at the end of the reporting period, is as follows:

31 December 2017

	Exchange rate	Net profit or loss	Net income after other comprehensive income	Total shareholders' equity
	Increase /(Decrease are listed with "-")	Increase /(Decrease are listed with "-")	Increase /(Decrease are listed with "-")	Increase /(Decrease are listed with "-")
Depreciation of RMB against USD	10%	-115,074.72	-	-115,074.72
Appreciation of RMB against USD	-10%	115,074.72	-	115,074.72
Depreciation of RMB against HKD	10%	341,534.76	-	341,534.76
Appreciation of RMB against HKD	-10%	-341,534.76	-	-341,534.76

31 December 2016

	Exchange rate	Net profit or loss	Net income after other comprehensive income	Total shareholders' equity
	Increase /(Decrease are listed with "-")	Increase /(Decrease are listed with "-")	Increase /(Decrease are listed with "-")	Increase /(Decrease are listed with "-")
Depreciation of RMB against USD	10%	-882,941.39	-	-882,941.39
Appreciation of RMB against USD	-10%	882,941.39	-	882,941.39
Depreciation of RMB against HKD	10%	648,289.04	-	648,289.04
Appreciation of RMB against HKD	-10%	-648,289.04	-	-648,289.04

The Group pays attention to research on exchange rate risk management policies and strategies. To avoid the exchange rate risk of repayment of the principal and interest of bonds payable in USD, the Group entered into a forward foreign exchange contract with the bank. For details, please refer to Note V.2.

# Shenzhen Expressway Company Limited

## Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

### VIII. Financial instruments and risk (continued)

#### 2. Interest rate risk

The Group's interest rate risk mainly arises from interest-bearing long-term liabilities including long-term borrowings and short-term borrowings. Financial liabilities issued at floating rates exposed the Group to the risk of interest rate on cash flow. Financial liabilities issued at fixed rates exposed the Group to the risk of interest rate on fair value. The Group determines the relative proportions of its fixed rate and floating rate contracts based on the prevailing market conditions. As at 31 December 2017, the Group's long-term and short-term interest-bearing borrowings with floating rates amounted to RMB5,904,708,369.49 (31 December 2016: RMB1,882,224,000.00).

Increases in interest rates will increase the cost of new interest-bearing liabilities and the Group's outstanding interest expenses at floating interest rate, which could have a material adverse effect on the Group's financial performance. The Group's finance department continuously monitors the interest rate of the Group and makes adjustment according to the latest market conditions.

In the current period, if interest rates calculated on the floating rate of interest-bearing liabilities had risen/fallen by 50 basis points while all other variables was stay constant, the Group's net profit and shareholder's equity would have decreased/increased by approximately RMB14,291,419.27(for the same period in 2016: approximately RMB7,400,987.33).

#### 3. Credit risk

The Group expects that there is no significant credit risk. The maximal credit risk mainly arises from cash at banks, receivables and other receivables.

The table below shows the bank deposits of the major counterparties of the Group as at the end of the reporting period:

Item	31 December 2017	31 December 2016
State-owned banks	1,211,571,342.22	3,226,558,755.70
Other banks	1,298,991,318.98	2,425,495,971.28
<b>Total</b>	<b>2,510,562,661.20</b>	<b>5,652,054,726.98</b>

The Group expected that there is no significant credit risk or any other significant loss arising from breach of contracts associated with bank deposits at state-owned banks, which gain funding support from government, and listed banks or commercial banks of medium or large size.

As at 31 December 2017, the Group's receivables due from the Shenzhen Government derived from entrusted management services, receivables due from government authorities in Guizhou Longli County relating to the Longli BT Project and Longli Resettlement (Phase II) Project and receivables due from Hunan Government relating to highway tolls were approximately RMB253 million in total and amounts due from related parties were approximately RMB246 million, amounting to RMB499 million (31 December 2016: RMB693 million) in aggregate. The directors of the Company considered that the related credit risks were controllable. The Group did not have other significant concentrations of credit risk arising from other customers.

## Shenzhen Expressway Company Limited

### Notes to financial statements

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#### VIII. Financial instruments and risk (continued)

##### 4. Liquidity risk

Each subsidiary of the Group is responsible for its own cash flow forecast. The Group's finance department at its headquarter monitors the Group's short-term and long-term liquidity requirements based on the forecast from the subsidiaries to ensure that the Group has sufficient cash and securities that are readily convertible to cash. Meanwhile the Group will continuously monitor whether the Group meet the capital condition required from the borrowing agreements, in order to continually borrow sufficient cash from major financial institutions to satisfy the short-term and long-term cash demands. The financial assets and liabilities of the Group as at the end of the reporting period are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2017				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities -					
Short-term borrowings	2,554,145,741.46	-	-	-	2,554,145,741.46
Financial assets measured at fair value through profit or loss	71,371,857.30	-	-	-	71,371,857.30
Accounts payable	348,257,339.46	-	-	-	348,257,339.46
Interest payable	66,673,607.13	-	-	-	66,673,607.13
Other payables	1,412,456,440.59	-	-	-	1,412,456,440.59
Current portion of non-current liabilities (Note a)	1,507,315,554.57	-	-	-	1,507,315,554.57
Long-term borrowings	179,437,793.36	493,301,172.10	2,741,356,951.18	3,045,368,022.07	6,459,463,938.71
Bonds payable	101,367,937.50	101,367,937.50	2,997,673,425.44	-	3,200,409,300.44
Other non-current liabilities	-	5,361,879,999.98	-	-	5,361,879,999.98
<b>Total</b>	<b>6,241,026,271.37</b>	<b>5,956,549,109.58</b>	<b>5,739,030,376.62</b>	<b>3,045,368,022.07</b>	<b>20,981,973,779.64</b>

	31 December 2016				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities -					
Accounts payable	219,558,035.62	-	-	-	219,558,035.62
Interest payable	100,188,323.21	-	-	-	100,188,323.21
Other payables	2,402,502,005.41	-	-	-	2,402,502,005.41
Current portion of non-current liabilities (Note a)	1,909,595,067.32	-	-	-	1,909,595,067.32
Long-term borrowings	78,698,238.85	127,412,087.55	949,395,909.12	1,036,171,910.61	2,191,678,146.13
Bonds payable	137,315,737.50	1,037,315,737.50	2,184,695,737.50	844,000,000.00	4,203,327,212.50
Other non-current liabilities	-	-	6,111,189,985.98	-	6,111,189,985.98
<b>Total</b>	<b>4,847,857,407.91</b>	<b>1,164,727,825.05</b>	<b>9,245,281,632.60</b>	<b>1,880,171,910.61</b>	<b>17,138,038,776.17</b>

Note a: Including the current portion of long-term borrowings, the current portion of bonds payable and the current portion of other non-current liabilities, excluding the current portion of provisions.

The Group obtains sufficient and steady operating cash flow and sufficient unutilised banking facilities, and the Group makes the appropriate financing arrangement to satisfy the need of repayment of debts and capital investments. As a result, the directors of the Company considered that there is no significant liquidity risk for the Company.

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### VIII. Financial instruments and risk (continued)

##### 5. Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, repurchase shares or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 31 December 2015.

The Group monitors capital using debt-to-asset ratio, which is total liabilities divided by total assets. The Group's debt-to-asset ratio as at the end of the reporting period was as follows:

	31 December 2017	31 December 2016
Total assets	37,473,826,542.60	32,384,844,447.16
Total liabilities	21,699,259,902.62	17,673,489,347.58
Debt-to-asset ratio	57.91%	54.57%



## Shenzhen Expressway Company Limited

### Notes to financial statements

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(All amounts in RMB unless otherwise stated)

#### IX. Fair value disclosure

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole :

Level 1: Based on quoted prices (unadjusted) in active markets for identical assets or liabilities .

Level 2: Based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly.

Level 3: Based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

#### 1. Financial assets and liabilities measured at fair value

31 December 2017

	Fair value measurement using			Total
	Quoted price in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
Financial liabilities measured at fair value through profit or loss	71,371,857.30	-	-	71,371,857.30
<b>Total</b>	<b>71,371,857.30</b>	<b>-</b>	<b>-</b>	<b>71,371,857.30</b>

31 December 2016

	Fair value measurement using			Total
	Quoted price in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
Financial assets measured at fair value through profit or loss	74,991,317.77	-	-	74,991,317.77
<b>Total</b>	<b>74,991,317.77</b>	<b>-</b>	<b>-</b>	<b>74,991,317.77</b>

The Group entered into derivative financial instrument contracts with multiple counterparties (mainly with high credit rating financial institutions). The Group's derivative financial instruments are forward foreign exchange contracts. The fair value of the financial liabilities measured at fair value through profit or loss held by the Group is determined based on the forward interest rate in the active markets as at 31 December 2017.

During the year, there was no transfer of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3.

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### IX. Fair value disclosure (continued)

##### 2. Fair value disclosure of financial assets and liabilities not measured at fair value

Financial assets and liabilities measured at amortised cost mainly include accounts receivable, other receivables, current portion of long-term borrowings and bonds payables, accounts payable, long-term borrowings, bonds payable, short-term borrowings and non-current liabilities.

Except for the financial liabilities listed below, the carrying amounts of financial assets and liabilities not measured at fair value approximated to their fair values.

	Carrying amount		Fair value	
	2017	2016	2017	2016
Financial liabilities				
Current portion of Long-term borrowings	105,522,900.05	99,200,000.00	110,686,395.18	97,332,822.71
Current portion of bonds payables	898,753,113.06	999,325,267.24	918,228,727.46	1,040,230,233.12
Current portion of other non-current liabilities (Note a)	475,940,400.00	459,050,000.00	475,940,400.00	459,050,000.00
Long-term borrowings	4,979,185,469.44	1,783,024,000.00	4,579,354,429.68	1,699,309,887.61
Bonds payable	2,732,092,797.02	3,742,863,939.90	2,931,191,041.26	3,935,190,028.06
Other non-current liabilities (Note a)	5,361,879,999.98	5,837,822,400.00	5,361,879,999.98	5,837,822,400.00
<b>Total</b>	<b>14,553,374,679.55</b>	<b>12,921,285,607.14</b>	<b>14,377,280,993.56</b>	<b>13,068,935,371.50</b>

Note a: The current portion and non-current portion of other non-current liabilities represents compensations received relating to the toll adjustment of Three Expressway.

The fair values of long-term borrowings and bonds payable with fixed interest rates not quoted in an active market are determined by the DCF method as being the present values of future cash flows, discounted at interest rates based on the comparable credit status and providing substantially the same cash flows with same terms.

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### X. Related parties relationships and related party transactions

##### 1. General information of the parent company:

Name	Place of registration	Nature of business	Registered capital	Interest held	Voting rights
Shenzhen International	Bermuda	Investment holding	HKD2,000,000,000.00	51.237%	51.237%

The parent company of the company is Shenzhen international.Shenzhen investment holding co., LTD. ("Shenzhen investment holding company") is the controlling shareholder of shenzhen international.The Company's ultimate controlling party is SZ SASAC.

##### 2. Information about subsidiaries

The information for the subsidiaries is set out in Note VII.1.

##### 3. Information about joint ventures and associates

The information for joint ventures and associates is set out in Note VII.2.

Joint ventures and associates who have related party transactions with the Group during the year ended 31 December 2017 or have related party balances with the Group resulted from related party transactions in prior years are listed as follows:

Item	Relationship with the Group
Consulting Company	Associated Enterprises(1 December 2016 to 31 December 2017)
Huayu Company	Associated Enterprises
Nanjing Third Bridge Company	Associated Enterprises
GZ W2 Company	Associated Enterprises
Guizhou Bank	Associated Enterprises

The Company consolidated Consulting Company into the consolidated financial statements from 1 January 2016 to 30 November 2016. From 1 December 2016 to 31 December 2017, Consulting Company was an associate of the Company.

##### 4. Information about other related parties

Item	Relationship with the Group
Shenzhen Baotong Highway Construction and Development Limited ("Baotong Company")	Parent company's wholly-owned subsidiary
Shenzhen International Logistics Development Co., Ltd. ("Shenzhen International Logistics Company")	Parent company's wholly-owned subsidiary
Shenzhen Longda Expressway Company Limited ("Longda Company")	Fellow subsidiary
Shenzhen International South-China Logistics Co., Ltd. ("SC Logistics Company")	Fellow subsidiary
Flywheel Investments	Parent company's wholly-owned subsidiary
Guizhou Pengbo Investment Co., Ltd. (Guizhou Pengbo)	Parent company's wholly-owned subsidiary
Xin Tong Chan Company	Shareholder of the Company
Coastal Company	Others
United Electronic Company	Others
Guangzhou Cement Company Limited	Others
Huayu Investment Group	Others
Changsha Ring Road Construction and Development Co., Ltd. ("Changsha Ring Road Company")	Others

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### X. Related parties relationships and related party transactions (continued)

##### 5. Related party transactions

###### (1) Rendering or receiving of services

###### Receiving of services

Name of related party	Nature of transaction	2017	2016
Consulting Company (a)	Accepted project management services	15,981,987.85	17,150,206.50
United Electronic Company (b)	Receiving integrated toll system settlement services	15,551,397.96	16,385,481.26
Others(c)	Receiving power supply services and others	720,381.13	1,014,526.01

- (a) Consulting Company has become a joint venture of the Group since 1 December 2016. The Group had entered into management service contracts with Consulting Company to provide for construction consulting and testing services for the Outer Ring project and other roads of the Group.
- (b) United Electronic Company is appointed by the People's Government of Guangdong Province to take charge of the management of integrated toll system in Guangdong province. The Company and its subsidiaries have signed a series of agreements with United Electronic Company and entrusted it to provide toll settlement services for Meiguan Expressway, Airport-Heao Expressway, Yanba Expressway, Yanpai Expressway, Nanguang Expressway Qinglian Expressway and Shuiguan Expressway operated by the Group. The service periods end on the expiry dates of operation periods of individual toll roads. The related service charges are determined by commodity price bureau of the Guangdong Province.
- (c) Advertising Company, subsidiaries of the Company, received supply of water and electricity and power supply services for its advertising boards from SC Logistics Company, Xin Tong Chan Company, Huayu Company, Longda Company, Coastal Company and Guangzhou Cement Company Ltd. The respective transaction amounts were not disclosed as they are not material.

###### Rendering of services

Name of related party	Nature of transaction	2017	2016
Coastal Company (a)	Provide construction management services	13,828,947.79	-9,494,251.39
Coastal Company(b)	Provide construction consulting services	-	5,451,183.97
Guizhou Pengbo (c)	Provide construction management services	2,027,727.39	-
Others (d)	Supply water and electricity for office and others	1,584,079.00	1,523,893.51

- (a) On 15 June 2016, the Coastal Company signed a supplementary contract of entrusted construction management agreement with the Company and entrusted the Company to complete the construction and operation of the Coastal Expressway Shenzhen Section project Phase II. Pursuant to the agreement, the management service revenue is calculated based on 1.5% of the construction budget and the Company would share 20% of any savings or would bear 20% of any over-expenditures of the total budgeted contract costs. During the year, the Company has recognized construction management services fee amounting to RMB 13,828,947.79
- (b) Consulting Company was the Company's subsidiary from 1 July 2015 to 30 November 2016, during which it provided services of engineering consulting to Coastal Company.

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### X. Related parties relationships and related party transactions (continued)

##### 5. Related party transactions(continued)

###### (1) Rendering or receiving of services(continued)

- (c) On 9 September 2016, Shenzhen International Logistics Company signed a construction management contracts with Investment Company to relegate the construction management of the Guizhou comprehensive logistics harbor phase I project to Investment Company. The construction management services fee was RMB4,400,000.00. On 20 October 2016, Shenzhen International Logistics Company signed a construction management contract tripartite agreement with Guizhou Pengbo and Investment Company, enabling Guizhou Pengbo, the main body of the project, to take the place of Shenzhen International Logistics Co., Ltd. as one of the agents in the contract of generation contract and to undertake all obligatory performance bonds of Shenzhen International Logistics Co., Ltd. under the contract of construction agency.
- (d) The Group provided Shenzhen international, Huayu Investment, Huayu Company, United Electronic Company and Consulting Company with services of water and electricity supply and others and charged them based on the expenses the Company paid to the administration of water and electricity supply. The respective transaction amounts were not disclosed as they are not material.

###### (2) Related party trusteeship / contractual operation / situation of outsourcing

The Company's trusteeship is analysed as follows:

Entrusting party	Entrusted party	Type of entrustment	Date of the commencement of the trusteeship	Date of the termination of the trusteeship	The basis of pricing for the trusteeship	Entrusted revenue recognised in 31 December 2017
Baotong Company	The Company	Equity trusteeship	1 January 2016	31 December 2018	Negotiated price	16,981,132.08
Coastal Company	The Company	Equity trusteeship	1 January 2017	31 October 2017	Negotiated price	14,150,943.40

The Company was entrusted by Baotong Company to operate and manage Longda Expressway by an agreement of equity trusteeship. The Company has renewed the agreement and the trusteeship is extended to 31 December 2018. Pursuant to the agreement, the management service fee is RMB18 million per year including tax. During the year, the Company recognized revenue related to the transaction amounting to RMB16,981,132.08 (2016: RMB17,320,754.72).

On 30 December 2016, the Company has renewed the entrustment agreement and the trusteeship is extended to 31 December 2019. Pursuant to the agreement, the management service fee is RMB18 million per year including tax. During the year, the Company recognized revenue related to the transaction amounting to RMB14,150,943.40 (the same period in 2016: RMB50,943,396.23). As at 11 December 2017, the Company signed Equity Acquisition Agreement with Shenzhen Investment Holding Company, agreed to acquire a 100% equity in Coastal Company. The follow-up arrangements of the Equity Acquisition Agreement with respect to the entrusted operation and management of the Coastal Company are as follows: Coastal Company should pay the Company an entrusted operation management fee as of the acquisition base date (13 October 2017) of RMB15,000,000.00 (including tax price). The agreement was approved by extraordinary shareholders' meeting on 8 February 2018, and the entrustment agreement between the Company and Coastal Company was officially terminated.

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### X. Related parties relationships and related party transactions (continued)

##### 5. Related party transactions(continued)

###### (3) Leases

As a Lessor:

Item	Assets leased	2017	2016
United Electronic Company and Consulting Company and Coastal Company	Office building	345,130.18	519,431.17

As a Lessee:

Item	Assets leased	2017	2016
Longda Company, Huayu Company, SC Logistics Company, Xin Tong Chan Company and Coastal Company	Billboard land use rights	2,940,669.21	1,681,761.86

The individual transaction amounts were not disclosed as they are not material.

The related transactions mentioned above in the item (1) to (3) are also composed of the connected transactions or continuing connected transactions that defined in Chapter 14A of Hong Kong Listing Rules.

###### \*(4) Remuneration of key management personnel

Item	31 December 2017	31 December 2016
Remuneration of key management personnel	15,029,253.84	11,790,913.12

Key management personnel include directors, supervisors and senior management personnel. The Company has a total of 21 key management personnel (2016: 20) during the year.

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### X. Related parties relationships and related party transactions (continued)

##### 5. Related party transactions(continued)

##### \*(4) Remuneration of key management personnel

###### (a) Remuneration of Directors and Supervisors

The remuneration of each director and supervisor in 2017 is as follows:

Name	Remuneration	Wages	Bonuses	Total
Hu Wei*	-	708,000.00	776,000.00	1,484,000.00
Wu Yade*	-	588,000.00	847,000.00	1,435,000.00
Wang Zengjin*	-	526,000.00	789,000.00	1,315,000.00
Liao Xiangwen*	-	526,000.00	784,000.00	1,310,000.00
Ou Shengqin	180,000.00	-	-	180,000.00
Lin Juchang	180,000.00	-	-	180,000.00
Hu Chunyuan	180,000.00	-	-	180,000.00
Chen Tao	71,129.00	-	-	71,129.00
Cai Shuguang	109,355.00	-	-	109,355.00
Xin Jian*	-	162,000.00	216,000.00	378,000.00

The remuneration of each director and supervisor in 2016 is as follows:

Name	Remuneration	Wages	Bonuses	Total
Hu Wei*	-	708,000.00	523,000.00	1,231,000.00
Wu Yade*	-	588,000.00	497,000.00	1,085,000.00
Wang Zengjin*	-	526,000.00	312,000.00	838,000.00
Liao Xiangwen*	-	492,000.00	475,000.00	967,000.00
Zhao Zhichang	68,000.00	-	-	68,000.00
Ou Shengqin	180,000.00	-	-	180,000.00
Lin Juchang	180,000.00	-	-	180,000.00
Hu Chunyuan	180,000.00	-	-	180,000.00
Chen Tao	93,500.00	-	-	93,500.00
Xin Jian*	-	154,000.00	107,000.00	261,000.00

\* Remuneration of directors and supervisors has been reflected in the remuneration of key management personnel.

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### X. Related parties relationships and related party transactions (continued)

##### 5. Related party transactions(continued)

##### \*(4) Remuneration of key management personnel

###### (a) Remuneration of Directors and Supervisors (continued)

In this year, Chairman Hu Wei, Executive Director and President Wu Yade, Executive Director Wang Zengjin, Executive Director Liao Xiangwen, Director Zhao Junrong, Xie Rikang, Liu Ji, Chen Yuanjun, Ou Shengqin, Lin Juchang, Hu Chunyuan, Cai Shuguang and supervisors Zhong Shanqun, Liang Xin and Xin Jian's the meeting allowance (before tax) is RMB11,000.00, RMB11,000.00, RMB13,000.0, RMB10,000.00, RMB6,000.00, RMB8,500.00, RMB11,000.00, RMB9,500.00, RMB17,400.00, RMB12,180.00, RMB13,340.00, RMB8,060.00, RMB6,500.00, RMB7,440.00 and RMB10,350.00. Among them, Chairman Hu Wei, Executive Director and President Wu Yade, Executive Director Wang Zengjin, Executive Director Liao Xiangwen, Directors Zhao Junrong, Xie Rikang, Liu Ji and supervisor Zhong Shanqun had waived the meeting allowance receivable this year.

In this year, Chairman Hu Wei, Executive Director and President Wu Yade, Executive Director Wang Zengjin, Executive Director Liao Xiangwen and supervisor Xin Jian were entitled to the pension schemes contribution of RMB 132,000.00 (2016: RMB 121,000.00), RMB 127,000.00 (2016: RMB 120,000.00), RMB 112,000.00 (2016: RMB 119,000.00), RMB 122,000.00 (2016: 116,000.00) and RMB 46,000.00 (2016: 45,000.00).

In addition, Chairman Hu Wei, Executive Director and President Wu Yade, Executive Director Wang Zengjin, Executive Director Liao Xiangwen and Supervisor Xin Jian also obtained other benefits and allowances, including medical care contribution and others, with amount of RMB 79,000.00 (2016: RMB 72,000.00), RMB 79,000.00 (2016: RMB 72,000.00), RMB 100,000.00 (2016: 133,000.00), RMB 99,000.00 (2013: 132,000.00) and RMB 74,000.00 (2016: 76,000.00).

###### (b) The top five paid of management team

During the year, the top five remunerations of the Group included four directors (2016: 3 directors) whose remuneration was reflected in the above table; the total amount of the other one (2016: 2) remuneration amounts are as follows:

	2017	2016
Basic salary, bonus, housing subsidy and other subsidies	1,421,000.00	2,173,000.00
Pension	122,000.00	246,000.00
	1,543,000.00	2,419,000.00

Number of individuals

	2016	2015
Salary range:		
HKD 0 to1,000,000	-	-
HKD 1,000,000 to 1,500,000	-	2
HKD 1,500,00 to 2,000,000	1	-



## Shenzhen Expressway Company Limited

### Notes to financial statements

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(All amounts in RMB unless otherwise stated)

#### X. Related parties relationships and related party transactions (continued)

##### 6. Receivables due from and payables to related parties

###### (1). Receivable items

Item	Related parties	31 December 2017		31 December 2016	
		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivable	Coastal Company	-	-	281,255,696.39	-
Long-term receivable	Coastal Company	241,868,601.95	-	-	-
Accounts receivable	Baotong Company	2,295,854.23	-	2,295,854.23	-
Accounts receivable	Guizhou Pengbo	1,000,382.99	-	-	-
Other receivables	Longda Company	110,000.00	-	110,000.00	-
Other receivables	Changsha Ring Road Company	88,556.58	-	-	-
Other receivables	Huayu Company	20,000.00	-	20,000.00	-
Other receivables	Consulting Company	84,050.00	-	84,050.00	-
Advances to related parties	Consulting Company	7,205,066.30	-	7,180,105.20	-
Other non-current assets	Shenzhen investment holding company	1,472,000,000.00	-	-	-

###### (2). Payable items

Item	Related parties	31 December 2017	31 December 2016
Accounts payable	Consulting Company	1,133,668.52	504,712.30
Accounts payable	United Electronic Company	120,420.00	113,747.32
Accounts payable	Coastal Company	60,000.00	35,000.00
Accounts payable	Huayu Company	23,000.00	15,000.00
Accounts payable	SC Logistics Company	1,600.00	4,500.00
Accounts payable	Xin Tong Chan Company	-	2,000.00
Accounts payable	Longda company	13,668.00	-
Advances from related parties	Coastal Company(Phase II)	19,378,599.38	33,207,547.17
Other payables	Flywheel Investment	-	333,498,800.00
Other payables	GZ W2 Company	40,750,000.00	40,750,000.00
Other payables	Nanjing Third Bridge Company	4,196,531.79	33,526,376.43
Other payables	Consulting Company	10,677,174.21	13,664,819.12
Other payables	Shenzhen International Logistics Company	-	815,687.07
Other payables	United Electronic Company	201,576.49	480,523.61
Other payables	Coastal Company	557,833.02	465,573.60
Other payables	Guangzhou Cement Company Limited	40,000.00	40,000.00
Other payables	Shenzhen International	5,000.00	5,000.00

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### X. Related parties relationships and related party transactions (continued)

##### 7. Commitments to related party

The following table represents the commitment that had been contracted but not yet recognized on the statement of financial position:

###### (1) Receiving service

	31 December 2017	31 December 2016
Consulting Company	89,651,694.04	92,877,082.50

###### (2) Investment commitments

On 31 December 2017, there was no investment commitments to related parties. (31 December 2016: Nil).

###### (3) Equity acquisition commitments

On 11 December 2017, the Company entered into an equity transfer agreement with Shenzhen investment holding company, The Company acquired a 100% equity interest in Coastal Company at a consideration of RMB1,472,000,000.00. For details information is set out in Note XII.1.

#### XI. Commitments and Contingencies

##### 1. Significant commitments

###### (1) Capital commitments

(a) Capital commitments approved by management but not yet contracted at the end of the reporting period:

	31 December 2017	31 December 2016
Expressway construction projects	3,072,401,347.72	3,056,514,408.84

(b) Capital commitments contracted by the management but not provided for at the end of the reporting period:

	31 December 2017	31 December 2016
Highway development projects & Real estate	2,596,485,259.79	3,520,138,579.35

###### (2) Investment commitment

As at 31 December 2017, the investment commitment of the Group was RMB1,200,000,000.00 (31 December 2016: Nil), under which the Company commit to participate in initiating the establishment of an investment and M & A fund. The board of directors of the Company held a meeting on 18 August 2017 to review the "Proposal on Establishing a Transportation Environmental Protection Investment M & A Fund" and approved the development plan of the Company in the investment and M & A fund. As of 31 December 2017, the Company (including its controlled subsidiaries) did not sign any contract for the M & A Fund and there was no specific plan for setting up, raising and investing M & A funds.

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### XI. Commitments and Contingencies (continued)

##### (3) Significant operating lease

Under the lease contract with the lessor, the minimum lease payments for the non-cancellable lease are as follows:

	31 December 2017	31 December 2016
Within 1 year (including 1 year)	13,232,481.31	11,863,518.60
1 year to 2 years (including 2 years)	11,264,760.00	7,514,467.80
2 years to 3 years (including 3 years)	9,477,770.22	4,961,250.00
Over 3 years	11,213,045.16	16,422,357.65
Total	<b>45,188,056.69</b>	<b>40,761,594.05</b>

#### 2. Contingencies

##### (1) Significant contingencies at the end of the reporting period:

- (a) The Company was entrusted by the Shenzhen Committee of the Exchange to manage Nanping Project Phase II. According to the contractual construction entrusted management contract, the Company has provided the Shenzhen Committee of the Exchange with Irrevocable Performance Bank Guarantee of RMB15,000,000.00.
- (b) The Company was entrusted by Shenzhen Longhua New District Construction Service Management Center to construct Longda Expressway Interchange and Dezheng Road Eastward Extension Section of Longzheng New District of Shenzhen City. Pursuant to the contractual joint venture management contract, the Company has provided Irrevocable Performance Bank Guarantee of RMB35,850,000.00 to Shenzhen Longhua New District Construction Service Management Center.
- (c) The Company was entrusted by the Longhua District Construction and Works Bureau of Shenzhen to construct a "dual upgrade" comprehensive road improvement project - Da Fu Road (Gui Yue Lu - Gui Xiang Road project) and Jianshe Road (Braong Road - East Second Ring Road) and Longhua District Golf Boulevard (Guanlan Avenue - Huanguan nan Road) renovation project. According to the term of the entrustment management contract, the Company has provided non-cancellable performance bank guarantee letter of RMB50,170,000.00 to Longhua District Construction and Engineering Bureau of Shenzhen.
- (d) As at 30 December 2017, the Group provided a stage-and-combined liability guarantee of approximately RMB416,180,000.00 to the bank for its home loans granted by the bank to the Group's property buyers. Under the terms of the guarantee, the Group is responsible for paying the outstanding mortgage loans and any accrued interest and penalties owed to the banks by the buyers in arrears if the buyers default in the mortgage payments what the Group can then receive legal ownership of the property. The Group's guarantee period expires from the date on which the bank granted the mortgage loan to acquire certain individual property ownership certificates from property buyers of the Group. In the opinion of the directors, provision for these guarantees is not provided for in arrears if the net realizable value of the properties is sufficient to cover the outstanding mortgage loans, together with any accrued interest and penalties.
- (e) The Company was entrusted by Shenzhen Guangshen Coastal Expressway Investment Co., Ltd. to construct the Guangdong Coastal Expressway Construction Project. Pursuant to the contractual management contract for the construction of the Project, the Company has provided irrevocable performance bank guarantee of RMB100,000,000.00 to Guangshen Coastal Expressway Investment Co., Ltd.

## **Shenzhen Expressway Company Limited**

### **Notes to financial statements**

**31 December 2017**

**(All amounts in RMB unless otherwise stated)**

#### **XII. Events after the end of the reporting period**

1. As at 11 December 2017, the Company signed Equity Acquisition Agreement of Coastal Company with Shenzhen Investment Holding Co., LTD, agreed acquiring 100% equity of Coastal Company by RMB1,472,000,000.00. The Company made full payment of consideration on 27 December 2017. The acquisition was approved by shareholders on 8 February and the transfer of equity completed on the same day.
2. Pursuant to the board resolution on 23 March 2018, the board of directors proposed a cash dividend of RMB0.3 per share for the year ended 31 December 2017( 2016: RMB0.22 per share). Subject to the issued shares of 2,180,770,326 shares, the Company intends to distribute cash dividend of RMB654,231,097.80. The proposed final dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The proposed dividend accounted for 45.9% of the Company's net profit for the year ended 31 December 2017.

#### **XIII. Other significant matters**

##### **1. Segment information**

###### **(1) The recognition and accounting policies of reportable segments:**

The reportable segments of the Group are the business units that provide different products or services, or operate in different areas. Different businesses or areas require different technologies and marketing strategies. Therefore, the Group separately manages the production and operation of the reportable segment and evaluates its operating results in order to make decisions about resources to be allocated to the segment and to assess its performance.

The Group has only one reportable segment, i.e. toll road segment, which takes charge of operation and management of toll roads in mainland China.

Other businesses principally comprise the provision of construction management services, advertising services, property development and other services. The Group has no inter-segment transfers. These businesses cannot be separated into reportable segments.

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### XIII. Other significant matters (continued)

##### (2) Segment information

2017	Toll road	Others	Unallocated	Total
Revenue from external customers	4,284,638,268.59	551,982,565.30	-	4,836,620,833.89
Cost of service	2,120,178,982.49	378,463,450.33	-	2,498,642,432.82
Interest income	20,021,715.93	13,184,336.04	11,384,524.29	44,590,576.26
Interest expenses	725,681,091.62	1,569,452.05	-	727,250,543.67
Share of profits of associates and joint ventures	253,267,236.25	235,948,874.67	-	489,216,110.92
Asset impairment loss	-	450,000.00	-	450,000.00
Depreciation and amortisation	1,409,697,909.12	17,058,101.44	6,408,596.91	1,433,164,607.47
Total profit	1,726,345,779.10	336,598,656.51	-147,299,732.07	1,915,644,703.54
Income tax expense	341,817,646.40	27,825,708.01	-	369,643,354.41
Net profit	1,384,528,132.70	308,772,948.50	-147,299,732.07	1,546,001,349.13
31 December 2017				
Total assets	27,698,603,318.16	9,630,931,311.18	144,291,913.26	37,473,826,542.60
Total liabilities	20,853,854,073.18	568,737,351.30	276,668,478.14	21,699,259,902.62
2017				
Long-term equity investments in associates and joint ventures	1,305,555,065.88	7,758,697,215.03	-	9,064,252,280.91
Addition of non-current assets other than financial assets, long-term equity investments and deferred tax assets	4,219,269,135.77	7,401,396.47	1,016,971.69	4,227,687,503.93

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### XIII. Other significant matters (continued)

##### 1. Segment information (continued)

##### (2) Segment information (continued)

2016	Toll road	Others	Unallocated	Total
Revenue from external customers	3,679,988,086.44	852,221,070.10	-	4,532,209,156.54
Cost of service	1,863,000,759.27	669,930,556.80	-	2,532,931,316.07
Interest income	53,213,175.47	22,070,368.32	3,542,746.28	78,826,290.07
Interest expenses	627,315,759.68	1,287,550.21	-	628,603,309.89
Share of profits of associates and joint ventures	244,888,848.53	61,206,678.89	-	306,095,527.42
Depreciation and amortisation	1,189,679,115.92	34,620,346.33	6,773,077.71	1,231,072,539.96
Total profit	1,485,561,999.02	233,529,454.56	-96,642,550.84	1,622,448,902.74
Income tax expense	274,795,380.72	31,231,712.42	-	306,027,093.14
Net profit	1,210,766,618.30	202,297,742.14	-96,642,550.84	1,316,421,809.60
31 December 2016				
Total assets	27,313,360,172.38	4,886,806,428.10	184,677,846.68	32,384,844,447.16
Total liabilities	16,333,791,452.29	828,540,480.43	511,157,414.86	17,673,489,347.58
31 December 2016				
Long-term equity investments in associates and joint ventures	1,442,911,998.30	3,260,369,507.87	-	4,703,281,506.17
Addition of non-current assets other than financial assets, long-term equity investments and deferred tax assets	333,435,261.73	35,775,639.30	866,978.34	370,077,879.37

##### (3) Other instructions

The Group's revenue from external customers and the total non-current assets other than financial assets and deferred tax assets are all derived from the PRC. The Group did not generate revenue for any customer that reached or exceeded 10% of the Group's revenue.

# Shenzhen Expressway Company Limited

## Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

### XIV. Notes to the Company's financial statements

#### 1. Accounts receivables

Trade receivables are interest free with a credit period of one to six months in general.

##### (1) Accounts receivable are analysed by category as follows:

Category	31 December 2017					31 December 2016				
	Ending balance		Provision for bad debts		Net book amount	Ending balance		Provision for bad debts		Net book amount
	Amount	%	Amount	%		Amount	%	Amount	%	
Individually significant and provision separately made	-	-	-	-	-	-	-	-	-	-
Provision made collectively	111,130,176.03	100.00	-	-	111,130,176.03	463,878,267.64	100.00	-	-	463,878,267.64
- Group 1	91,908,589.23	82.70	-	-	91,908,589.23	451,429,372.53	97.32	-	-	451,429,372.53
- Group 2	19,221,586.80	17.30	-	-	19,221,586.80	12,448,895.11	2.68	-	-	12,448,895.11
Not individually significant but provision separately made	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>111,130,176.03</b>	<b>100.00</b>		/	<b>111,130,176.03</b>	<b>463,878,267.64</b>	<b>100.00</b>		/	<b>463,878,267.64</b>

An aging analysis of the accounts receivable in Group 2 is as follows:

Aging	31 December 2017			31 December 2017		
	Accounts receivable	Provision for bad debts	% of total balance	Accounts receivable	Provision for bad debts	% of total balance
Within 1 year	19,221,586.80	-	-	12,448,895.11	-	-
<b>Total</b>	<b>19,221,586.80</b>	<b>-</b>	<b>-</b>	<b>12,448,895.11</b>	<b>-</b>	<b>-</b>

##### (2) The aggregate balance of the five largest closing balances of account receivable from the debtors:

	Ending balance	Provision for bad debts	% of accounts receivable
Total balance of the five largest aggregate accounts at 31 December 2017	97,178,881.57	-	87.45%
Total balance of the five largest aggregate accounts at 31 December 2016	443,734,604.22	-	95.66%

##### (3) The aging of accounts receivable according to the recognition date is analysed below:

	31 December 2017	31 December 2016
Within 1 year	65,918,250.58	46,530,254.47
1 to 2 years	19,135,061.63	42,662,541.48
2 to 3 years	17,996,997.69	258,731,262.15
Over 3 years	8,079,866.13	115,954,209.54
<b>Sub-total</b>	<b>111,130,176.03</b>	<b>463,878,267.64</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### XIV. Notes to the Company's financial statements (continued)

##### 2. Other receivables

(1) Other receivables are analysed by category as follows:

	31 December 2017					31 December 2016				
	Ending balance		Provision for bad debts		Net book amount	Ending balance		Provision for bad debts		Net book amount
	Amount	%	Amount	%		Amount	%	Amount	%	
Individually significant and provision separately made	-	-	-	-	-	-	-	-	-	-
Provision made collectively	369,260,529.15	100.00	-	-	369,260,529.15	1,542,710,679.60	100.00	-	-	1,542,710,679.60
- Group 1	367,132,493.94	99.42	-	-	367,132,493.94	1,535,368,510.65	99.52	-	-	1,535,368,510.65
- Group 2	2,128,035.21	0.58	-	-	2,128,035.21	7,342,168.95	0.48	-	-	7,342,168.95
Not individually significant but provision separately made	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>369,260,529.15</b>	<b>100.00</b>	-	-	<b>369,260,529.15</b>	<b>1,542,710,679.60</b>	<b>100.00</b>	-	/	<b>1,542,710,679.60</b>

An aging analysis of the other receivables in Group 2 is as follows:

Aging	31 December 2017			31 December 2017		
	Accounts receivable	Provision for bad debts	% of total balance	Accounts receivable	Provision for bad debts	% of total balance
Within 1 year	2,029,385.21	-	-	7,335,518.95	-	-
1 to 2 years	92,000.00	-	-	-	-	-
2 to 3 years	-	-	-	6,650.00	-	-
Over 3 years	6,650.00	-	-	-	-	-
<b>Total</b>	<b>2,128,035.21</b>	-	-	<b>7,342,168.95</b>	-	-

The nature of other receivables from third party with an age of more than 3 years should be the deposit and quality assurance. According to the Group's accounting policy III.10(2), no provision for bad debts should be made for this type of receivables.

(2) Other receivables by nature are analysed as follows:

Nature	31 December 2017	31 December 2016
Advances	203,328,914.01	337,646,761.52
Loans to related companies	163,333,335.00	1,198,333,335.00
Others	2,598,280.14	6,730,583.08
<b>Total</b>	<b>369,260,529.15</b>	<b>1,542,710,679.60</b>



## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### XIV. Notes to the Company's financial statements (continued)

##### 2. Other receivables (continued)

(3) As at 31 December 2017, the five largest other receivables are analysed as follows:

31 December 2017

Categories	Nature	31 December 2017	aging	% of total balance	Balance of provision for bad debts
Mei Wah Company	Advances	201,664,855.33	Within 3 years	54.61	-
Qinglong Company	Loans	100,000,000.00	Within 1 year	27.08	-
Yichang Company	Loans	45,000,000.00	Within 1 year	12.19	-
Qinglian Company	Loans	18,333,335.00	Within 1 year	4.96	-
Qinglian Company	Advances	1,048,952.58	Within 1 year	0.28	-
<b>Total</b>	<b>/</b>	<b>366,047,143.91</b>	<b>/</b>	<b>99.12</b>	<b>-</b>

31 December 2016

Categories	Nature	31 December 2017	aging	% of total balance	Balance of provision for bad debts
Qinglong Company	Loans	1,070,000,000.00	Within 1 year	69.36	-
Mei Wah Company	Advances	201,748,218.59	Within 3 years	13.08	-
Investment Company	Loans	110,000,000.00	Within 1 year	7.13	-
Airport-Heao Eastern Company	Advances	77,393,035.37	Within 1 year	5.02	-
The Government of Longhua District, Shenzhen	Advances	54,353,901.07	Within 1 year	3.52	-
<b>Total</b>	<b>/</b>	<b>1,513,495,155.03</b>	<b>/</b>	<b>98.11</b>	<b>-</b>

(4) The aging of other receivables according to the recognition date is analysed below:

	31 December 2017	31 December 2016
Within 1 year	161,899,026.42	1,339,786,018.69
1 to 2 years	4,585,449.32	200,071,471.32
2 to 3 years	200,071,471.32	10,596.27
Over 3 years	2,704,582.09	2,842,593.32
<b>Sub-total</b>	<b>369,260,529.15</b>	<b>1,542,710,679.60</b>

##### 3. Long-term equity investments

Item	31 December 2017			31 December 2016		
	Carrying amount	Impairment provided in current period	Net book amount	Carrying amount	Impairment provided in current period	Net book amount
Subsidiaries	10,536,389,637.88	678,765,149.21	9,857,624,488.67	5,298,222,702.65	678,765,149.21	4,619,457,553.44
Joint ventures and associates	4,611,060,899.65	-	4,611,060,899.65	4,661,015,576.66	-	4,661,015,576.66
<b>Total</b>	<b>15,147,450,537.53</b>	<b>678,765,149.21</b>	<b>14,468,685,388.32</b>	<b>9,959,238,279.31</b>	<b>678,765,149.21</b>	<b>9,280,473,130.10</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### XIV. Notes to the Company's financial statements (continued)

##### 3. Long-term equity investments (continued)

###### (1) Investments in subsidiaries

Investee	31 December 2016	Additional injection	Transfer in from consolidation	Decrement of the period	31 December 2017	Cash dividend declared	Impairment provided on December 2017
Airport-Heao Eastern Company	724,299,958.20	-	-	106,728,592.72	617,571,365.48	325,860,432.61	
Meiguan Company	530,345,339.27	-	-	2,143,761.05	528,201,578.22	3,617,215.71	
Qinglong Company	164,269,052.70	-	-	62,791,855.54	101,477,197.16	52,888,738.20	
Advertising Company	3,325,000.01	-	-	-	3,325,000.01	53,619,155.75	
Mei Wah Company	831,769,303.26	-	-	-	831,769,303.26	-	
Qinglian Company	1,385,448,900.00	-	-	-	1,385,448,900.00	-	678,765,149.21
Outer Ring Company	100,000,000.00	-	-	-	100,000,000.00	-	
Expressway Investment Company	380,000,000.00	-	-	-	380,000,000.00	-	
Environment Company	500,000,000.00	3,960,000,000.00	-	-	4,460,000,000.00	-	
Shenzhen Expressway Operation Development Co., LTD	-	28,500,000.00	-	-	28,500,000.00	-	
Shenchang Company	-	-	162,181,479.19	39,350,334.65	122,831,144.54	-	
Yichang Company	-	1,270,000,000.00	-	-	1,270,000,000.00	-	
Construction and Development Company	-	28,500,000.00	-	-	28,500,000.00	-	
<b>Total</b>	<b>4,619,457,553.44</b>	<b>5,287,000,000.00</b>	<b>162,181,479.19</b>	<b>211,014,543.96</b>	<b>9,857,624,488.67</b>	<b>435,985,542.27</b>	<b>678,765,149.21</b>

###### (2) Investments in joint ventures and associates

The detailed information about joint ventures and associates is set out in Note V.12. Except for the investments in associates namely Guizhou hengtongli Property Company and Derun Environment, other investments in associates are held by the Company.

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

#### XIV. Notes to the Company's financial statements (continued)

##### 4. Revenue and costs of services:

Item	31 December 2017		31 December 2016	
	Revenue	Cost	Revenue	Cost
Main businesses	1,362,216,021.17	497,496,386.41	1,284,475,356.04	458,284,001.08
Other businesses	100,114,605.54	56,413,125.69	124,786,182.52	120,232,501.02
<b>Total</b>	<b>1,462,330,626.71</b>	<b>553,909,512.10</b>	<b>1,409,261,538.56</b>	<b>578,516,502.10</b>

##### 5. Investment income

Item	2017	2016
Income from long-term equity investments under the cost method	435,985,542.27	453,489,241.84
Income from long-term equity investments under the equity method	363,258,608.95	312,416,068.38
Income from financial products	7,124,058.32	13,548,897.86
Investment income from financial assets available-for-sale	5,400,000.00	38,200,000.00
After the loss of control, the remained equity measured at fair value	-	4,631,456.93
Investment loss from foreign exchange swap	-850,968.84	-
<b>Total</b>	<b>810,917,240.70</b>	<b>822,285,665.01</b>

## Shenzhen Expressway Company Limited

### Notes to financial statements

31 December 2017

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#### XV. Supplementary information

##### 1. Detailed list of non-recurring profit or loss items

Item	Amount	Note
Gains from shares held before combinations involving enterprises not under common control measured at fair value	27,504,389.73	In the current year, Shenchang Company was included in the consolidated financial statements as an entity not under common control. Gain or loss arising from equity shares acquired before the acquisition date was recalculated per fair value.
Income from entrusted management services	30,907,924.54	Income from entrusted management services provided to Coastal Company and Longda Company in current period.
The Amortisation of compensation provided by concession grantor	23,026,646.05	The amortization of compensation to Yanpai Expressway and Yanba Expressway provided by concession grantors recognized in current period according to traffic volume method which disclosed as a deduction of the amortization of the related concession intangible assets.
Income from financial products	7,581,799.16	
Loss on maturity of foreign exchange swap contract	-850,968.84	As at 27 July 2017, the Group close out a position of a foreign exchange swap contract due to maturity.
Gain on change in the fair value of the foreign exchange swap business	-146,363,175.07	To mitigate the exchange rate risk, the Group entered into foreign exchange swap businesses for the bond with principal value of 300 million dollar, and related losses on change in fair value were recognized during the current period.
Interest income accrued from loan to a non-financial entity	2,209,701.24	
Loss on interest income of Meiguan Expressway fee adjustment and facility construction compensation project due to audit adjustment	-2,882,469.78	In the current year, Government Investment Audit Professional Bureau of Shenzhen Audit Bureau released the audit result on Meiguan Expressway fee adjustment and facility construction compensation project. The final amount of the compensation and the interest income of related long-term receivable were deducted based on the audit result.
Loss on Meiguan Expressway fee adjustment and facility construction compensation project due to audit adjustment	-43,695,332.04	In the current year, Government Investment Audit Professional Bureau of Shenzhen Audit Bureau released the audit result on Meiguan Expressway fee adjustment and facility construction compensation project. The final amount of the compensation was deducted based on the audit result.
Gain on disposal of assets	24,970,581.93	Gain on disposal of assets other than loss on Meiguan Expressway fee adjustment and facility construction compensation project due to audit adjustment.
Other profit or loss items that meet the definition of non-recurring profit or loss	7,205,738.40	
Impact of income tax	28,622,196.84	
Impact of minority interests	-731,183.13	
<b>Total</b>	<b>-42,494,150.97</b>	

# Shenzhen Expressway Company Limited

## Notes to financial statements

31 December 2017

(All amounts in RMB unless otherwise stated)

### XV. Supplementary information (continued)

#### 1. Detailed list of non-recurring profit or loss items (continued)

Basis for preparation of detailed list of non-recurring profit or loss items:

Under the requirements in Explanatory announcement No.1 on information disclosure by companies offering securities to the public – non-recurring profits or losses [2008] (“Explanatory announcement No.1”) from CSRC, non-recurring profit or loss refer to those arise from transactions and events that are not directly relevant to ordinary business, or that are relevant to ordinary business, but are so extraordinary that would have an influence on users of the financial statements making proper judgments on the performance and profitability of an enterprise.

#### 2. Return on net assets and earnings per share

##### 2017

Profits of reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary owners of the Company	10.88	0.654	0.654
Net profit after deducting non-recurring profit or loss attributable to ordinary owners of the Company	11.19	0.674	0.674

##### 2016

Profits of reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary owners of the Company	9.35	0.536	0.536
Net profit after deducting non-recurring profit or loss attributable to ordinary owners of the Company	8.08	0.461	0.461